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Local Businesses-An Overlooked Asset During Rapid Growth

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Local Businesses—An Overlooked Asset During Rapid Growth

by

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Abstract

Local Businesses—An Overlooked Asset During Rapid Growth

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Booming cities often experience a rapidly growing economy coupled with issues of inequality. With skyrocketing costs of living and displacement of long time residents, housing gentrification is a common topic of debate for growing cities, but local business displacement is often left out of the equity discussion. Small, local businesses struggle with similar challenges as individuals during affordability crises, and are similarly priced out of neighborhoods where they have had a long-standing community presence. Research shows that local businesses provide lasting benefits to cities and represent a sustainable solution to many affordability issues. In order to retain these benefits, state and local governments need to shift economic development policy from traditional efforts of business attraction to policies that thoroughly address issues of local business displacement. Worldwide trends, such as the mobility of labor and the globalization of capital, will affect cities, especially as non-local sources of revenue continue to shrink. Cities can look to local businesses to provide economic stability and to help differentiate themselves as they compete nationally and globally for residents and investment.

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Chapter 1: Introduction

Booming cities often experience a rapidly growing economy coupled with issues of inequality. With skyrocketing costs of living and displacement of long-time residents, housing gentrification is a common topic of debate for growing cities, but local business displacement is often left out of the equity discussion. Small, local businesses struggle with similar challenges as individuals during affordability crises, and are similarly priced out of neighborhoods where they have had a long-standing community presence. Rising rents or property taxes can often spell the end to a small business as cities grow and real estate markets “heat up”. Housing costs are considered extreme if individuals spend more than thirty percent of their income on housing costs or if residents have to move increasingly far away to find affordable housing. But what about businesses in this same scenario? While owning a business is not considered a fundamental human right, like housing, helping to preserve affordability for businesses will help solve other affordability crises due to the auxiliary benefits for employers, employees, and communities.

Entrepreneurism and local businesses are a defining aspect of American life. Starting businesses not only provides for financial independence, but also for creativity and innovation in society. However, if the barrier to entry is too high, business ideas cannot thrive and will never grow to maturity. Some business activities are not highly dependent on physical spaces or specific locations, but others depend on a key location for exposure and customers. These segments are shaped by the unique intersection of economic development policies and urban planning, which cities need to study to determine how to treat physical commercial space and preserve commercial affordability. In doing so, cities can better maintain a range of spaces and locations for local businesses and nurture their business ecosystems.

Like people, businesses need a variety of spaces at different price points as they continue on their trajectory of growth. Individuals often move from renting small apartments to the “starter home” phase, then finally settling in a larger house once they have accumulated enough assets. Business trajectories can be similar: if a business is in the start-up phase or is ready to expand, the types of physical spaces they need vary greatly. To maintain an equitable and stable business climate, cities must consider how to provide for the needs of small businesses throughout these different stages. This becomes especially important for rapidly growing cities where real estate prices are rising. Table 1, below, shows the percent increase in lease rates between 2015 and 2016 for selected cities. For comparison, average rent increased

2%, median per capita income rose 1%, retail sales grew 1%, and inflation was 0% for the same time period (ILSR, 2016, pg. 8).

Table 1. Institute for Local Self-Reliance Selected Cities

Change in Lease Rates per Square Foot per Year	
City	Percent Increase
Portland, ME	22%
New York, NY	10%
Asheville, NC	17%
Charleston, SC	26%
Cleveland, OH	12%
Nashville, TN	**19%**
New Orleans, LA	7%
Detroit, MI	7%
Milwaukee, WI	12%
Salt Lake City, UT	9%
Austin, TX	10%
Oakland, CA	16%
Seattle, WA	8%

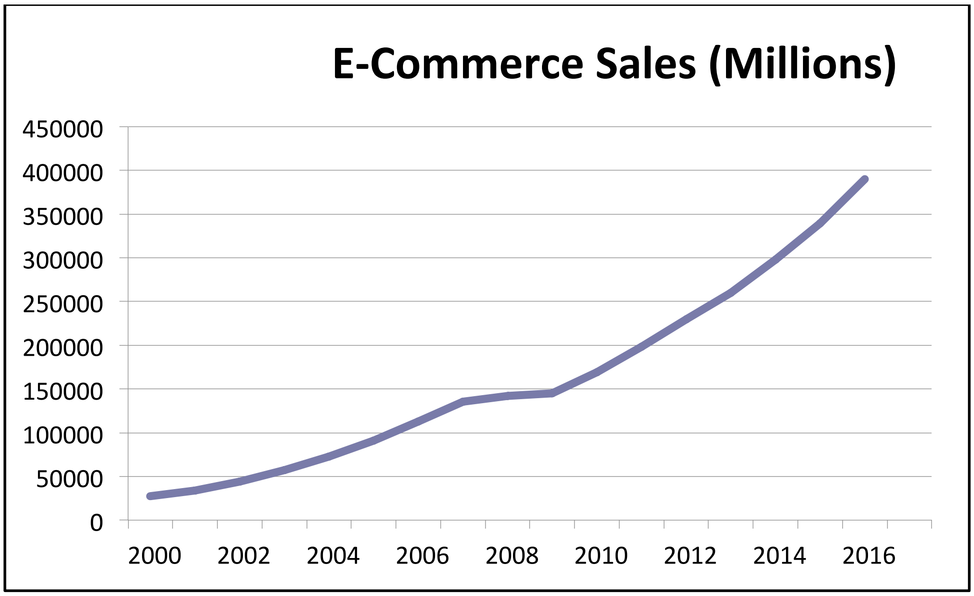
Source: Institute for Local Self-Reliance, Affordable Space report, 2016

While neighborhood change and turnover is to be expected to some degree, cities must monitor growth and displacement to ensure that the business climate does not become hostile to local businesses and that there is a diversity of businesses to serve a diversity of residents. Local businesses provide benefits to cities in the form of a tax base, but also in many other ways. When money is spent at a locally owned business as opposed to chains, more of this money stays in the local economy and less goes to external providers of inputs and share-holders of publically-owned businesses. Similarly, local businesses are more likely to “stick it out” in a location when times get tough, helping to stabilize a local economy during downturns (Kinsley, 1997, pg. 11). Because of the integral role that small businesses play in city economies, local businesses provide lasting benefits to cities and represent a sustainable strategy for economic development. State and local governments need to consider shifting economic development policy from traditional efforts of business attraction to policies that address issues of local business displacement to better capture these benefits.

Relevant Trends

Current trends have increased the importance of mitigating the issue of local business displacement and valuing the benefits provided by local businesses. First, in the United States, retail sales are increasingly shifting from purchases made in brick-and-mortar establishments to purchases made online. Figure 1 demonstrates the extreme nature of this change. While retail sales per capita have continued growing at a moderate pace, online sales have grown almost 100% in the last 5 years and 245% in the last 10 years (US Census Bureau, 2017, n.p.). This comparison shows that though people are still inclined to spend money, they are doing so less frequently at a physical location. Once a reliable tax base, cities and states must figure out ways to mitigate the loss of sales tax to Internet purchases.

Figure 1. United States E-Commerce Sales



A second important trend is that the US economy is experiencing a decline in dynamism as defined by the number of firm births over firm deaths. While a high number of both births and deaths is associated with expanding local economies, a high number of firm deaths and a low number of firm births can be associated with less economic diversification, reliance on a smaller number of firms for employment[1], less innovation, and decreased job growth (Economic Innovation Group, 2017, pg. 5). As start-ups rates fall, cities are experiencing the negative consequences whether they realize it or not, as fewer people are starting new companies and

[1] In 2014, companies at least 16 years old employed 3 out of every 4 Americans (Economic Innovation Group, 2017, pg. 5)

firm growth remains slower than in previous decades[2]. Cities must acknowledge the barriers that prevent people from creating companies and small, local businesses are an essential asset to sustaining a dynamic economy. A final trend that highlights the need to preserve local business is the growing emphasis placed on quality of place in economic development. Today's business leaders consider quality of a place highly important when moving to a locale—more important than tax incentives, cost of labor, or corporate tax rate (Gambale, 2016, n.p.). Quality of place refers to the elements that make a city a great place to live, such as an affordable cost of living, transportation access, recreational opportunities, good education, and more. Small, local businesses contribute to quality of place by providing goods and services with unique character, unlike chains and corporations that can be found in numerous cities (Rosenberg, 1988, pg. 281). Small, local businesses contribute to a sense of community, which attracts people to a place and creates reasons for them to stay.

Some cities have already begun to recognize the benefits of local businesses and have adopted policies that help local businesses in times of extreme market escalation. Predictably, these are also the cities that struggle with housing affordability and resident gentrification, like New York City, San Francisco, and Seattle. Barriers and solutions to maintaining local business affordability across the United States will have commonalities across geographies, but will also have specific characteristics linked to local context.

In this work, the universality of these barriers and solutions to local small business retention will be tested through quantitative methods, such as analyzing data from the Census or the Bureau of Labor Statistics, and qualitative methods, including interviews with economic development professionals. Ultimately this study will answer several questions with help from the literature and real-life investigations:

'What are the biggest reasons for local business displacement in rapidly growing cities?

'Do cities experience local business displacement differently?'

'What are cities doing to address potential local business displacement?' and

'Of these policies, which are the most successful and easily replicable?'

This paper is structured as follows: chapter two discusses the methods used in this study and illustrates various growth phenomenon in the United States related to small business displacement. By benchmarking the growth of key cities, the degree of displacement can be quantified for comparison purposes. Chapter three defines key terms in this work. Chapter four begins the review of the literature to determine where local business needs fits within the larger

[2] From 1977 to 2014, the number of new firms per $1 billion in GDP fell from 95 to 25,

landscape of economic development. This section then compares the two most common economic development strategies business attraction and business retention and expansion. Next, chapter five examines a case study of Nashville, Tennessee to see if economic development practice differs from economic development theory. Through interviews with planning, economic development, and government professionals, insight into the application of economic development strategies is explored. Chapter 6 summarizes research findings in a problem-solution format. The last chapter of this work includes a compendium of recommendations and priorities to be considered by cities that wish to intentionally retain and promote local businesses in the face of rapid growth.

Chapter 2: Research Approach and Comparative Analysis of Nashville and Select Cities

Defining Small, Local Business

What exactly is a small, local business? For the purpose of this research, a small, local business refers to a locally-owned company that adheres to the industry size guidelines provided by the Small Business Administration (SBA) and which exists primarily in the local market. According to the SBA, 99.7%of all firms in the United States exist within the small business size standards (Brown, n.d., n.p.). I define 'locally-owned' as establishments whose business owners still live in the region that provides the business with its revenues. The connection to the geography is essential to leveraging local ownership to produce better local decisions and investment. As will be discussed later, local ownership keeps more political power and tax dollars in local hands. By 'exists primarily in the local market', I hope to include local businesses that have become chains and that may have expanded to other regional markets. These should still be considered a local business because they are uniquely positioned to speak to barriers facing local businesses in their primary market (as opposed to businesses that might have failed and do not have the hindsight of success). This definition excludes national franchises, even if they are locally owned.

One alternate definition to consider is that of the American Independent Business Alliance (AIBA) which defines a 'local and independent' business as including these four characteristics:

1. Private, worker, community, or cooperative ownership;
2. At least 50% of business is locally-owned;
3. Decision-making authority is vested in the local owners;
4. The business has a limited number of outlets and geographic range.

Another definition employed by Good Jobs First, a national policy resource center, makes this distinction:

- Small business: 100 employees or less, **and** independently and locally owned, **and** with 9 or fewer establishments;
- Large business: greater than 100 employees, **or** a company of any size that is not independently and locally owned, **or** has 10 or more establishments (2015, pg. 6).

Clearly, there are many, nuanced ways to define 'small, local business', but as the AIBA and Good Jobs First definitions imply, the important aspects are not necessarily in the numbers. The ethos of the business and the business's connection to the local community through local ownership are more essential, which is what I have tried to capture in my definition.

This research focuses on businesses that are attached to a physical space. While agile tech start-ups can be "local", these types of business models may not be significantly dependent on a physical space or specific location, which renders them less invested in a local community by default. Companies that are in effect "placeless" are discounted. The intention of this distinction is that businesses with a physical location experience unique barriers to growth and retention that often come into conflict with local planning policy, especially in times of rapid growth. This intersection of economic development and urban planning will be the focal point of my professional report.

Of course, there are exceptions to every rule. Immediately, Alamo Drafthouse Cinema comes to mind. This company was started in Austin, TX, but has since expanded to 10 states. Alamo Drafthouse Cinema meets the small business size standard in dollar terms, but is no longer owned by the founders (D&B Hoovers, 2017, n.p.). In terms of measuring benefits of small businesses, local ownership is even more important than adhering to size standards. As seen in the literature, local ownership provides benefits to employees and the community that corporate ownership does not. Therefore, this example would not meet the definition of local business for this research. Another example of a business that would not meet the criteria for small, local business is Sam Adams: a brewery that distributes nationwide, is still 100% owned by its founder, but exceeds the SBA size standard for number of employees. For the purposes of the research, these distinctions do not come directly into play, but it is important to demonstrate that the definition of "local business" can be a grey area and policy makers will have to use judgment when applying policies. Moving forward, the term 'local business' is used in lieu of 'small, local business' for brevity's sake, but in doing so, the "small" aspect as used by the SBA is implied.

Finally, what is a business? Given that this investigation is at the crossroads of economic development and urban planning, business policies and land use policies will primarily be examined. Many businesses might not easily fit into an industry or land use category. In general, commercial land uses that could include businesses found at a neighborhood or district-scale include small, local businesses. This is likely to include restaurants, retail, personal services, and other business types that are reliant on a specific physical space and/or location for operation.

Having an understanding of what "local business" means is important for cities because politicians, planners, and economic development professionals need to be able to track the success of local businesses in particular. Without tracking local business creation and development, a city will never know if its policies are having a positive or negative effect on this segment of the market. Local businesses are vital to the economy of a city because they contribute to the character and the economic success of a city in ways that large corporations do not. Local businesses provide typical benefits such as jobs and tax revenue, but also provide additional benefits such as keeping a greater percentage of consumer spending in the local economy (Civic Economics, 2012, pg.3-4), giving back to the community in charitable ways (Frishkoff, 1991, pg.1), enhancing place-making (Laniado, 2005, pg. 41), and promoting greater economic stability (Kinsley, 1997, pg. 11), among others.

This research specifically analyzes rapidly growing cities because these are the geographies most likely to experience local business displacement according based on fundamental land economics. Additionally, the research is confined to cities in the larger metropolitan areas. Local business displacement is commonly observed when land values increase at a rapid pace, a direct result of a booming economy and shrinking availability of land. Growth in median residential rents is included because while the housing market is not synonymous with the commercial market, property value escalation (as experienced vis-a-vis rents) would affect all real estate markets and the residential sector can provide clues to overall land value trends. “Rapidly growing” cities are defined with the following metrics:

- Population growth (Census Bureau-Decennial Census/ACS);
- GDP growth (Bureau of Economic Analysis);
- Employment growth (Bureau of Labor Statistics);
- Growth in median residential rents (Census Bureau-ACS); and
- Growth in median home values (Census Bureau-ACS).

Using these metrics, the case study, Nashville, TN, is benchmarked against similar peer cities and cities with histories of local business displacement. In doing so, this provides a range of metrics that describe the phenomenon of local business displacement and show the degree of variation across the country. This data provide a background to better understand how the case study cities fit into the larger picture of the United States and to what degree each city is struggling with this challenge. Furthermore, a set of metrics give a baseline comparison between cities as possible solutions for local business displacement are discussed. Fundamental to the research are two subsidiary questions: ‘Is business failure only a result of market forces or do city laws and policies have a direct impact on local business success?’ and ‘Should cities intervene when the market determines that local businesses are less “valuable” simply because they cannot outlive real estate escalation?'. Through this investigation, it is apparent that cities unintentionally (and intentionally) subsidize corporations, effectively undermining local businesses in the process. Examples include the ways in which cities write their codes, enforce zoning, or dole out tax abatements. But if these actions are antithetical to city goals (e.g. economic prosperity), why do cities promote policies that are detrimental to local businesses? The dichotomy represented by local businesses and corporations is one theme that I will explore in my research that has repercussions for public policy. Cities should intervene when local businesses are being harmed as a result of land price escalation. Cities also need to examine their economic development and planning policies to ensure that they are not unfairly benefitting larger companies at the expense of local businesses.

Local business displacement is a problem as old as cities. However, global forces such as the changing face of retail or the agglomeration of global capital make local business success more difficult than ever. Economic development challenges and interventions vary widely from city to city, but common themes exist that can be universally valuable. This research hopes to provide a strong argument for local business development as a tool to create equitable cities, sustainable cities, and cities in which people want to live.

Basic Methods

The approach to investigating local business displacement in this work draws upon multiple sources and methods. The research and methods used were aimed at answering these research questions:

1. What are the biggest reasons for small, local business displacement in rapidly growing cities?
2. Do cities experience small, local business displacement differently?
3. What are cities doing to address and mitigate local business displacement?

First, a review of the literature to uncover best practices and barriers to staying in place for local businesses in growing cities nationwide. The rationale for a broad review is that local business displacement has been taking place across the country for centuries, and cities across the United States will be on a variety of trajectories in their handling of this issue. Second, a case study thoroughly investigating one metropolitan area, Nashville, Tennessee, through quantitative and qualitative analysis is developed. Nashville was chosen because of the ease of access to contacts in the city and because this city is experiencing rapid growth and displacement alongside national acclaim, as a booming medium-sized metro.

Quantitative analysis is used to compare this city across a variety of measures such as population growth, GDP growth, etc. to determine where Nashville stands in regards to other cities. National outliers known for local business displacement (New York City, NY, San Francisco, CA, and Seattle, WA) and regional peers (Atlanta, GA, Charlotte, NC, and Austin, TX) were chosen to illustrate the degree to which Nashville is experiencing its own business displacement. Is Nashville more similar to regional peers or is the displacement extreme enough to be compared to San Francisco or Seattle? Other measures include housing market metrics to serve as a proxy for the commercial market because commercial data was not available at the metro level.

Qualitative analysis was used to understand the case in comparison to a select group of cities and gain knowledge that "the numbers" might not provide. This part of the research included Internet research of various news sources and in-person interviews with planning and economic development professionals and local businesses. In these interviews, assumptions based on the literature were tested and it was judged whether the literature was representative of "the real world". The end result of the research will be a toolkit of policy solutions that could be used by cities hoping to prevent local business displacement.

Comparative Quantitative Analysis of Select Cities

As noted above this research specifically analyzes larger rapidly growing cities because these are the geographies most likely to experience local business displacement according based on fundamental land economics. To study how Nashville is performing compared to other cities, several metrics were chosen to measure various types of growth. Population growth and GDP growth were chosen to demonstrate the rapid population growth of Nashville and its parallel economic success. Then, growth in median rent and home values were used as a proxy for the commercial real estate market. If land values are increasing for the residential market, it is likely that value is also increasing for other types of property, including commercial. An effort was also made to include regional peers. The final list of cities includes New York City, San Francisco, and Seattle to demonstrate how national outliers in regards to displacement perform with these metrics. Charlotte and Atlanta were chosen as regional peers. Austin was chosen because it exhibits characteristics of both groups.

According the 2015 ACS, the Nashville MSA had a population of 1,761,848, placing it among the top 40 largest MSAs in the country. A combination of Decennial Census Data and American Community Survey Data shows that Nashville's population is growing rapidly, outpacing the growth of the state of Tennessee and the United States.

Table 2. Nashville Population Change Compared to State and Nation

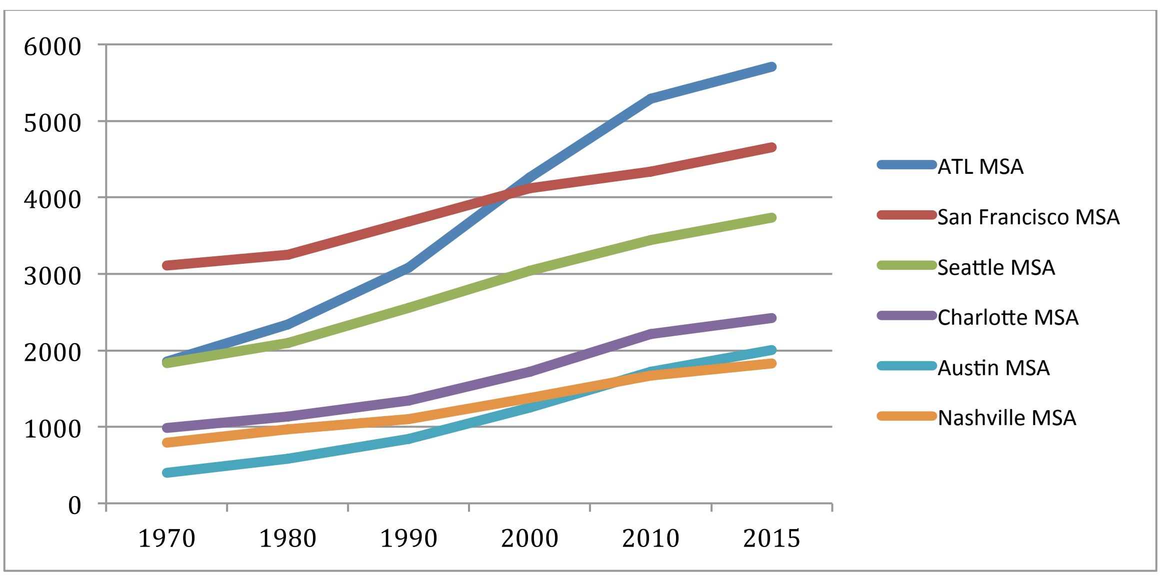
	Nashville MSA		Tennessee		United States	
	Population	*% Change*	*Population*	*% Change*	*Population*	*% Change*
1990	**1,103,030**		4,877,185		248,709,880	
2000	**1,381,290**	**25.2%**	5,541,340	13.6%	281,421,910	13.15%
2010	**1,670,890**	**21.0%**	6,356,900	14.7%	308,745,530	9.71%
2015	**1,830,300**	**9.5%**	6,600,300	3.8%	321,418,820	4.10%

Source: U.S. Census Bureau and American Community Survey

A. Population Growth

First, all regions have been growing in population for many decades. With the exception of New York City in 1980, all regions have been growing since 1970. This places strain on a city's resources and could create a climate of displacement, depending on supply in the real estate market.

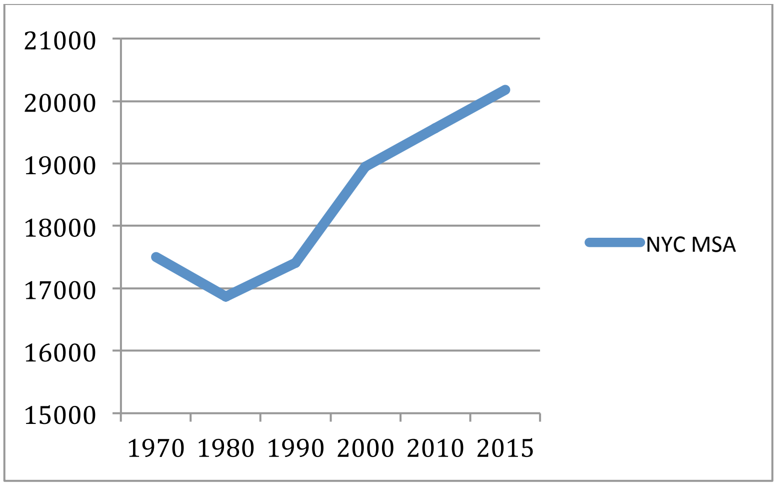
Figure 2. Population Growth (Thousands)



Source: U.S. Census Bureau and American Community Survey

New York was displayed separately because of the difference in magnitude of population.

Figure 3. New York MSA Population Growth (Thousands)



Source: *U.S. Census Bureau and American Community Survey*

When population growth is viewed as a percent change from the year before, the geographies can be more equitably compared. Though including ACS data is problematic because it is not offered at the same year intervals as the decennial census, stopping the data at 2010 would also not be ideal because it is too outdated. Viewing the data between 1980-2015 actually reveals a striking finding. Those cities most associated with gentrification and a lack of affordability, such as San Francisco and New York City, have the slowest growth rates in population, though it should also be noted these two cities have some of the highest populations in absolute terms, so growth rates as well as absolute increases in population must be considered as indicators of population pressures. The booms in the older coastal cities took place decades before when these cities were "build out", but they are still experiencing large increases in population and demographic changes that are driving their acute displacement issues. Nashville's growth rates most resemble Seattle, which could be experiencing a slow-down in the rate of growth like New York and San Francisco. Compared to its southern peers, Nashville's population growth is not as rapid as Atlanta or Charlotte, overall, but still clearly exceeds the growth of the rest of the country. Austin, Texas has experienced the most growth and is the biggest outlier in this set of metros.

Table 3. Population Growth as Percent Change

	1980	1990	2000	2010	2015
Atlanta MSA	26.2%	31.8%	38.3%	24.0%	8.0%
San Francisco MSA	4.5%	13.4%	11.9%	5.1%	7.4%
Seattle MSA	14.2%	22.3%	18.9%	13.0%	8.5%
Charlotte MSA	15.4%	18.0%	28.0%	29.1%	9.4%
Austin MSA	46.7%	44.6%	47.7%	37.3%	16.6%
Nashville MSA	21.5%	14.5%	25.2%	21.0%	9.5%
New York City MSA	-3.6%	3.2%	8.8%	3.3%	3.1%
United States	11.5%	9.8%	13.2%	9.7%	2.5%

Source: U.S. Census Bureau and American Community Survey

B. GDP Growth

Over the last 10 years, Nashville experienced GDP growth greater than that of the state or the nation, doubling growth for the United States and significantly surpassing GDP growth for the state of Tennessee.

Table 4. GDP as Percent Change

	2005-2015
Tennessee	12.5%
Nashville MSA	30.0%
United States	15.2%

Source: U.S. Bureau of Economic Analysis

All regions experienced GDP growth as a percent change between 2005 and 2015. This pattern was also observed post-recession. Most of the study regions exhibited greater GDP growth than the nation, demonstrating that urban growth in these cities was strong relative to the nation Nashville performed better than all the comparison regions except Austin, Texas.

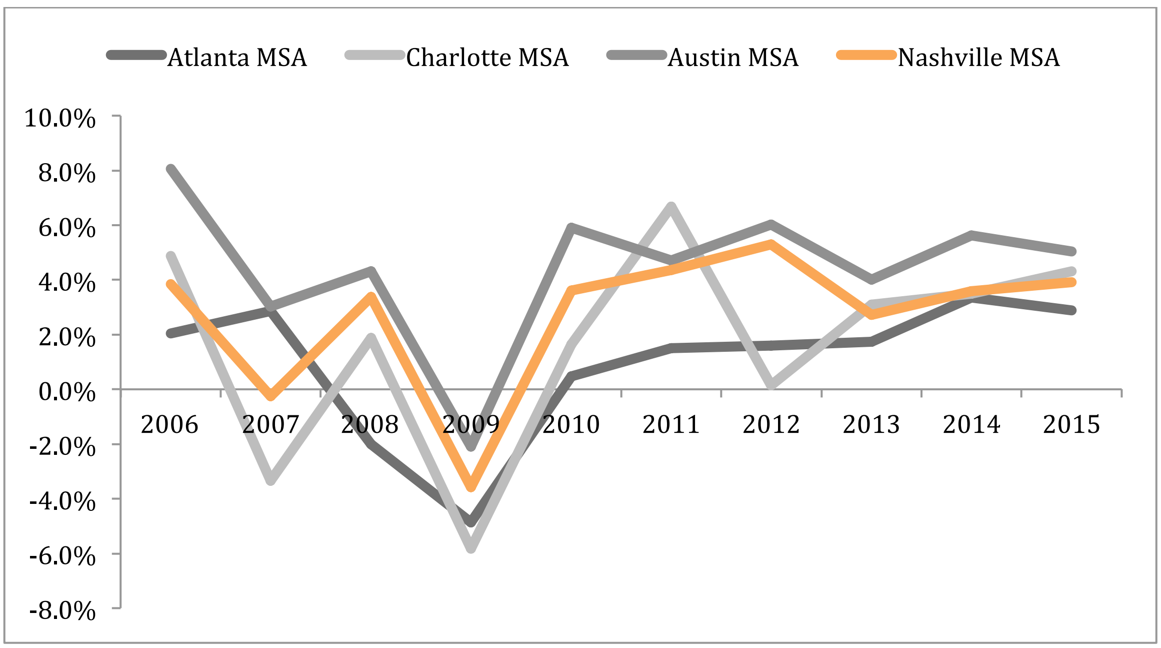
Table 5. GDP as Percent Change

	2005-2015	2010-2015
Austin MSA	54.3%	28.1%
Nashville MSA	30.0%	21.5%
Charlotte MSA	17.5%	18.9%
San Francisco MSA	20.1%	16.3%
Seattle MSA	29.8%	15.0%
Atlanta MSA	9.7%	11.6%
United States	15.2%	10.9%
NYC MSA	12.3%	6.6%

Source: *U.S. Bureau of Economic Analysis*

Figure 4. GDP as Percent Change (2006-2015)

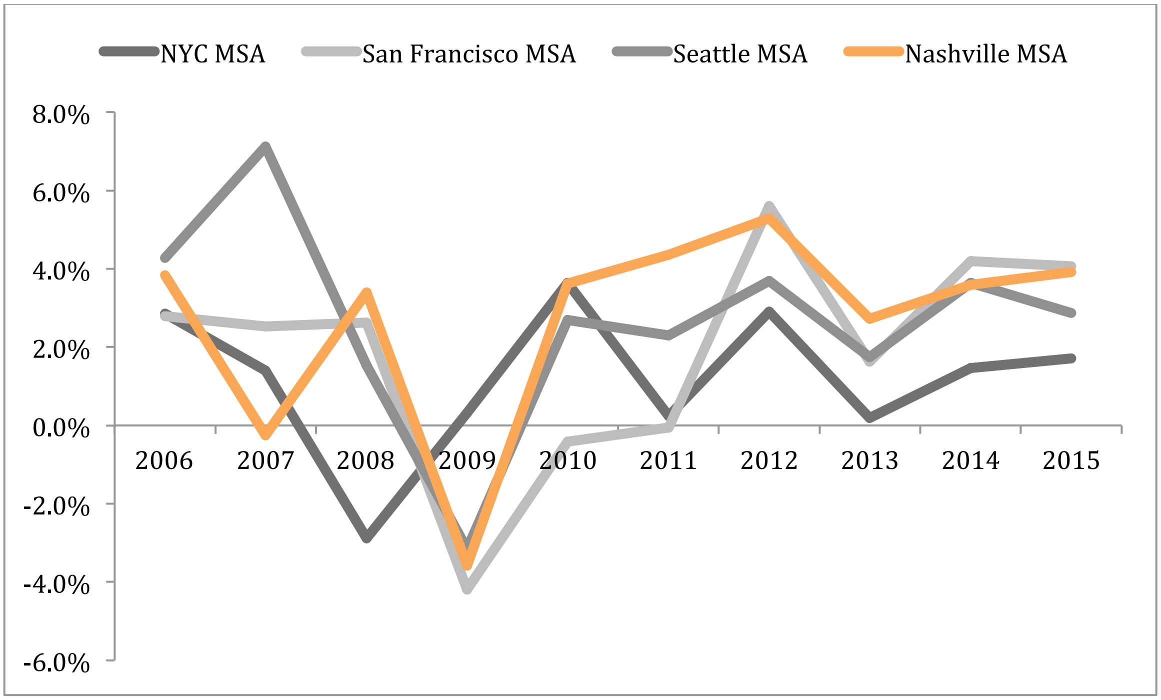
Regional Peers



Source: *U.S. Bureau of Economic Analysis*

Figure 5. GDP as Percent Change (2006-2015)

National Outliers



Source: *U.S. Bureau of Economic Analysis*

C. Employment Growth

As with population and GDP, Nashville's employment growth surpasses that of the state and the nation.

Table 6. Employment Growth 2006-2016

	Number of Jobs	Percent Change
Nashville MSA	107596	12.1%
United States	6929423	4.6%
Tennessee	124567	4.0%

Source: EMSI 2017.2 – QCEW Employees, Non-QCEW Employees, and Self-Employed

However for regions in this set of cities, Nashville's growth is only higher than Atlanta and New York.

Table 7. Employment Growth 2006-2016

	2006-2016	Percent Change
Austin MSA	243,521	30%
Charlotte MSA	163,672	15.3%
San Francisco MSA	322,766	14.2%
Seattle MSA	236,212	12.5%
Nashville MSA	107,596	12.1%
Atlanta MSA	173,311	6.7%
NYC MSA	-133	-1.1%

Source: EMSI 2017.2 – QCEW Employees, Non-QCEW Employees, and Self-Employed

D. Median Residential Rent

Nashville's growth in median rent is not as drastic as other metro areas in the country. In fact, Nashville's growth is much closer to that of the rest of the country.

Table 8. Growth in Median Rents

	Nashville MSA	Tennessee	United States
1990	$432	$357	$447
2000	$610	$505	$602
2010	$783	$687	$913
2015	$917	$785	$959
Percent change between 1990-2015	112%	120%	115%

Source: US Census Bureau-Decennial Census and American Community Survey

Table 9. Growth in Median Rents

	Atlanta MSA	Austin MSA	Charlotte MSA	Nashville MSA	New York MSA	San Francisco MSA	Seattle MSA
1990	$422	$410	$462	$432	$496	$653	$463
2000	$746	$721	$627	$610	$740	$968	$723
2010	$913	$917	$789	$783	1131	$1,314	$1,009
2015	$1,015	$1,131	$915	$917	$1,308	$1,623	$1,263
Percent change between 1990-2015	141%	176%	98%	112%	164%	149%	173%

Source: US Census Bureau-Decennial Census and American Community Survey

F. Median Home Values

For growth in median home values, Nashville is on par with the state and slightly above some peer metros.

Table 10. Growth in Median Home Values

	Nashville MSA	Tennessee	United States
1990	$74,200	$58,000	$78,500
2000	$120,800	$88,300	$111,800
2010	$174,600	$138,600	$187,500
2015	$192,200	$150,600	$194,500
Percent change between 1990-2015	159%	160%	148%

Source: US Census Bureau-Decennial Census and American Community Survey

Table 11. Growth in Median Home Values

	Atlanta MSA	Austin MSA	Charlotte MSA	Nashville MSA	New York MSA	San Francisco MSA	Seattle MSA
1990	$69,900	72100	$80,600	**$74,200**	$187,900	$294,800	$136,500
2000	$132,600	$121,300	$116,200	**$120,800**	$199,800	$340,800	$186,100
2010	$187,600	$187,700	$174,700	**$174,600**	441400	$619,000	$356,500
2015	$186,300	$241,100	$173,900	**$192,200**	$414,000	$718,400	$361,500
Percent change between 1990-2015	167%	234%	116%	**159%**	120%	144%	165%

Source: US Census Bureau-Decennial Census and American Community Survey

Separate from growth dynamics, patterns in Nashville's small business community were also important to consider. The Longitudinal Business Database provides limited data on business characteristics and local ownership was not included. However, examining basic trends of small firm growth can also be helpful. The Small Business Administration "has established two widely used size standards – 500 employees for most manufacturing and mining industries and $7.5 million in average annual receipts for many nonmanufacturing industries. However, there are a number of exceptions." (SBA, 2016, n.p.). Given the wide-ranging differences in sizes of small businesses by industry, the rough cut-off of 500 was used.

Table 12. Number of Firms in Nashville by size

	1980	1990	2000	2010	2014
Under 500	14,597	19,103	22,980	24,564	25,222
Over 500	835	1,230	1,710	1,760	1,867
ALL	15,432	20,333	24,690	26,324	27,089

Source: US Census Bureau-Longitudinal Business Database

Table 13. Firm Growth as Percent Change from Period Before*

	1990	2000	2010	2014
Under 500	30.9%	20.3%	6.9%	2.7%
Over 500	47.3%	39.0%	2.9%	6.1%
ALL	31.8%	21.4%	6.6%	2.9%

Source: US Census Bureau-Longitudinal Business Database

**2010-2014 is the only interval that is shorter than 10 years. This is because 2014 was the last year this data was available.*

Table 14. Number of Firms Percent Change 1980-2014

Under 500	**72.8%**
Over 500	123.6%
ALL	75.5%

In Nashville, the number of firms, defined as "a business organization consisting of one or more domestic establishments that were specified under common ownership or control", with under 500 employees has continued to grow, but at a rate slower than firms with over 500 employees. (US Census, 2016, n.p.).

Table 15. Employment in Nashville by size

	1980	1990	2000	2010	2014
Under 500	159,351	223,445	279,384	286,439	313,898
Over 500	175,766	254,556	363,973	371,589	433,842
ALL	335,117	478,001	643,357	658,028	747,740

Table 16. Employment Percent Change 1980-2014

Under 500	**97.0%**
Over 500	146.8%
ALL	123.1%

In Nashville, the number of employees employed by firms with under 500 employees, has grown since 1980, but at a rate slower than firms with over 500 employees.

Table 17. Establishments in Nashville by size

	1980	1990	2000	2010	2014
Under 500	15,463	20,345	24,290	26,239	26,890
Over 500	2,590	4,205	6,650	8,091	8,592
ALL	18,053	24,550	30,940	34,330	35,482

Table 18. Establishments Percent Change 1980-2014

Under 500	**73.9%**
Over 500	231.7%
ALL	96.5%

In Nashville, the number of establishments as defined as, "a single physical location where business is conducted or where services or industrial operations are performed", have grown, but at a rate much lower than firms with over 500 employees (Census Bureau, 2016). Taken together, these three measures of growth show that firms with fewer than 500 employees are growing, but generally slower than firms with over 500 employees. An interesting nuance is that firm growth by both segments has slowed since the 1980s, but that firm growth in businesses with over 500 employees has seen a recent uptick, suggesting that the small business sector has not made the same recovery.

These metrics show that Nashville is experiencing growth that is similar, but not quite as high as some cities around the country known for gentrification and affordability issues. New York, Seattle, and San Francisco were included as extreme examples, but the data do not always tell a clear picture. For instance, Nashville's economic growth in terms of GDP matches many of the comparison metros, but Nashville's growth differs in population growth and growth residential property values. That Nashville is experiencing growth is unquestioned, but the degree is not as drastic as other fast growing regions around the country. Furthermore, the degree to which small businesses are contributing to this growth is less than larger businesses, which is noteworthy. For now, the small business sector is continuing to grow, but at a slower rate than larger firms. This slower growth could be the beginning of a downward trend, but more time will be necessary to tell.

As Nashville continues to grow, it should benchmark its growth using the measures above with communities known for having issues of displacement. If Nashville's growth metrics start to resemble these communities more closely, the city can be more prepared to handle displacement. If this does happen, "low-income" businesses will experience displacement just like low-income residents. As a result, the small business community will become unequal based on the amount of revenue produced by each business. Generally, this looks like cheaper, mom and pop stores replaced by high-end retail and expensive restaurants to serve the newer, more affluent residents. Once the business community has reached this level of price escalation, starting up new businesses will prove to be more difficult as more capital may be needed to enter the market. If barriers to entry are high, innovation and entrepreneurship will suffer, which are hallmarks of dynamic, successful economies.

Qualitative Analysis

The qualitative analysis began with creating a short-list of questions that were open-ended and that would allow the interviewee to elaborate where they felt most comfortable. Questions were aimed at the interviewee's perception of Nashville's business climate, not at collecting quantitative answers. Then, through a series of emails, I identified individuals who would be relevant to interview, such as planning and economic development professionals. First, I contacted colleagues I met during my time as an intern for the Nashville City Planning Department and personal contacts at the Nashville Chamber of Commerce. These initial communications snowballed into reaching out to other professionals previously unknown to me. I also reached out to a small business owner who was a personal friend and long-time Nashville resident. By the end of this discovery process, I completed in-person interviews with these individuals:

Audra Ladd, Manager of Small Business and Creative Economy, Mayor's Office of Economic and Community Development (December, 22, 2016);

Tom, Owner of a creative co-working office space for entertainment and tech companies (December 23, 2016);

Jarrod Duncan, Lending Officer, The Housing Fund (January 3, 2016);

Jennifer Carlat, VP of Policy, Nashville Chamber of Commerce (January 5, 2016);

Chris Cotton, Director of Business Growth Initiatives, Nashville Chamber of Commerce (January 5, 2016); and

Telisha Cobb, Founding Director, Nashville Independent Business Alliance (January 11, 2016).

All participants were offered the opportunity to remain anonymous, but only one participant opted for this. All in-person interviews were audio recorded.

Chapter 3: Review of the Economic Development Literature

In U.S. cities, economic development is normally conducted by various types of economic development organizations (EDOs) including chambers of commerce, community development corporations (CDCs), community development finance institutions (CDFIs), among others, though governmental entities obviously contribute. The International Economic Development Council (IEDC) defines economic development as, “the creation of jobs and wealth, and the improvement of quality of life” (IEDC, n.y., 3). Currid-Halkett and Stolarick offer a slightly different definition: “the practice by which wealth generation is attained through the goals of job creation and increasing the local tax base” (2011, pg. 143). Strategies to accomplish these goals vary regionally, but common practices have emerged that characterize economic development strategy and practice. As hinted at in the second definition, traditionally, economic development policy has prioritized “growth strategies designed to buttress a city’s economic fortunes” (Imbroscio, 1997, pg. 4). Growth alone has been used as a standard of success without further evaluation of what was growing or who benefitted from such growth. Similarly, the power of the “free-market” to determine value has been held as unassailable even as it promotes “highly unequal market outcomes for individuals [which] are viewed as just, or at least acceptable” (Oden, 2010, pg. 33).

In most economic development regimes, equitable outcomes are not the priority, but rather growth and capital accumulation are the main concerns. This stance is further supported by the fact that the International Economic Development Council reported that “the most common performance metrics utilized in the economic development profession have been quantitative and primarily focused on the number of jobs created and the amount of investment dollars attracted” (IEDC, 2014 pg.58). Of course there are exceptions. Sustainable economic development strives to ensure that policies provide equitable benefits and to re-think the “growth machine”. The Rocky Mountain Institute offers this insight: “the word ‘growth’ has two fundamentally different meanings: ‘expansion’ and ‘development’. Expansion means getting bigger; development means getting better.” (Kinsley, 1997, pg. 1). Tensions between these two definitions represent the challenges that face most economic development organizations.

Blakely and Bradshaw characterize the history of economic development policy in three waves. According to the authors, the first wave of economic development policy prioritized attracting industrial jobs from out-of-town locations; the second wave shifted to what is now called “business retention and expansion”; and the third wave or current wave of economic development policy focuses on creating a “supportive economic development marketplace”

(1999, pg. 230). Though economic development theory has transitioned over time, EDOs around the United States are in various stages of economic practice, depending on the local context. A disconnect between economic development practice and scholarship was found in a 2011 content analysis of economic agency websites, academic articles from Economic Development Quarterly (EDQ), and the International Economic Development Council (IEDC) awards, suggesting that what is actually being implemented by economic development organizations does not follow empirical evidence or industry best practices (Currid-Halkett and Stolarick, pg. 149). For example, many of the most cited economic development strategies in EDQ from 2003 to 2009 were not addressed by actual economic development agencies studied in this work. While the EDQ recommended strategies ranging from industrial clustering and human capital development, local economic development agencies were most likely to be engaging with business improvement areas (BIA) and site selection assistance, practices not recommended by the EDQ or the IEDC. Similarly, the economic development agencies in this work were implementing strategies that had no basis in academic literature. This disconnect is important to note when considering who is implementing economic development policy and who is benefitting. What follows are general observations of the practice as it stands today.

Economic development practice is still dominated by two main strategies: business attraction and business retention and expansion. The practice of business attraction characterized Blakely and Bradshaw's first wave of development. This applies when cities or states use taxpayer dollars to offer an incentive package, usually consisting of tax abatements or infrastructure improvements, to motivate a company to locate in the identified jurisdiction. Commonly, these incentives were used to attract industrial jobs, predicated on the assumption that industrial or manufacturing jobs were higher paying and thus worth incentivizing. Kenyon et al note that the rise of property tax incentives grew most rapidly in the 1970s and 1980s (2012, pg. 5). Of incentive programs available to both large and small businesses, incentives are disproportionately allocated to large companies: Good Jobs First notes, "on average only two percent of a state's employers have more than 100 employees, yet such firms are receiving 80 or 90+ percent of incentive dollars" (2015, pg. 14). This is relevant because this practice can result in negative consequences for cities when not carefully structured to protect against the company renegading on its promises of jobs or investment.

Another common strategy utilized by EDOs is business retention and expansion (BRE) or the second wave. This is the realm of economic development that concerns itself with existing businesses and ensuring that these entities are thriving through technical assistance and business development programming. Also known as "economic gardening", this strategy aims to “foster and encourage businesses already located in the local area, and to upgrade the skills of workers living in that area” (Barrios and Barrios, 72, 2004). The IEDC claims that, “business retention programs have become the most popular economic development efforts of communities nation-wide” (n.y., pg. 4). No doubt, this trend is related to the fact that “approximately 80 percent of jobs created each year in the U.S. come from startup or expansion of local businesses and not from the relocation of businesses from other areas”, signaling the impact that BRE strategies could have (Birch, 1987, pg. 2-3). Support of entrepreneurial activities, business incubators, and empowerment zones are also included in BRE. Business incubators serve an important role, providing technical services and financing in the early stages of business development, a time when businesses are more at risk of failing (IEDC, n.y., pg. 50). The overriding value of second wave economic development policy is that investing in local assets is more beneficial and economical than first wave strategies of business attraction.

Finally, as indicated by Blakely and Bradshaw, the third wave of economic development practice is distinguished by efforts that are more concerned with the economic ecosystem: rather than forcing jobs to locate, cities work to create environments with high standards of living and increased amenities which will passively attract jobs. In conjunction with these efforts, cities also adjust workforce strategies towards targeted industries “to build entire industrial sectors that are globally competitive” which generally look like high technology jobs (Blakely and Bradshaw, 1999, pg. 231). Gottlieb echoes this sentiment in stating, “pools of technical professionals can only be maintained in an area that has a high quality of life and amenities that appeal to a managerial elite” (1994, pg. 272). For this author, ‘technical professionals’ included high technology, finance, and professional services as types of businesses especially susceptible to amenity-oriented economic development policies (1994, 271). Other trends fueling third wave economic development practices are the preferences of the workers in high technology jobs. According to the Urban Design Institute of Pittsburgh, the so-called ‘knowledge-workers of the New Economy’ “fit no earlier pattern in history. They are on a 24 hour/7-day-a-week schedule-long, untraditional work hours. They marry late and have fewer children. They like diversity in race, nationality, culture” (IEDC, n.y., pg.41). These assumptions about new generations of the workforce are shaping the economy and economic development policies.

Economic development policy varies greatly depending on the local context--if an area is growing or declining, is it urban or rural, etc. Over time, economic development theory has transitioned from promoting simplistic attraction strategies to prioritizing more nuanced retention strategies. Today, cities and regions are grappling with global trends such as the decline of manufacturing jobs and the increased mobility (placelessness) of firms. To ascertain the value of common economic development strategies, arguments for and against each must be taken into consideration.

Attraction Strategies: Pros and Cons

The allure of attraction strategies is fairly straightforward. A new company is offered incentives to locate in a region justified by the promise of new jobs, investment in the community, and increased advantages for the local economy. Flyberg calls this allure the 'political sublime' or "the rapture politicians get from building monuments to themselves and their causes...this is the type of public exposure that helps get politicians reelected" (2014, pg. 7). Furthermore, some deals come with promises by the recruited company to invest in charitable ways in the community. In addition to structured community benefits, the local economy can gain from the new firms and suppliers that might follow a large manufacturing plant (Kenyon et al., 2011, pg. 9). Finally, because tax abatements are not technically expenditures, they are not subject to yearly negotiations regarding city and state budgets, making them more politically palatable (Kenyon et al, 2011, pg. 6). The benefits are seemingly concrete and immediate--who can argue with more jobs and more taxes being collected?

The argument quickly becomes more complicated when attention is drawn to the numerous negative consequences that can arise as the result of tax incentive deals. Greg LeRoy posits that the costs of such short-term schemes "are suffered by the taxpayers over decades, long after politicians win their re-election" (2017, n.p.). A 1996 study accounted for 15,000 economic development organizations pursuing 200 to 300 firms looking to re-locate (Phillips, pg. 20). This mismatch between firms and cities leads to jurisdictions acting in irresponsible ways to win the re-locating company from other, competing jurisdictions. Barrios and Barrios tell the story of how the state of Alabama offered incentives equal to $200,000 per job created to attract a Mercedes plant, but in the end, this extreme offer was not enough to win the contract (2004, 74). In this instance, job growth alone was viewed as "enough" to justify foregoing large amounts of tax revenue, irrespective of cost-benefit analysis.

Although governments often use taxpayer money to offer incentive packages, the taxpayers are not the ones directly benefiting from the deal as is often implied. Bartik points out that, "research suggests that for every ten jobs created in the local labor market, such as a metropolitan area, about eight end up going to persons who otherwise would have lived elsewhere, not to local residents" (2003, pg.10). Though this does not directly refer to job growth via business attraction strategies, it reveals that new job creation does not always mean new jobs for existing residents. Additionally, many localities that offer incentives “lack important information such as outcomes and compliance reporting” or if they do track these metrics, the information is not available to the public (Good Jobs First, 2013, 21). A lack of transparency in the process of granting tax incentives makes the efficacy of this strategy hard to measure and hard to justify to the public.

Negative consequences can proliferate even after a firm has been lured to a city via tax incentives. Though the intention of business attraction is to create new jobs and spur the local economy, the new, larger firms (like Walmart and Amazon) often drive out local competition in similar markets causing job loss (ILSR and Jobs with Justice, 2017, pg. 1). In fact, Basker discovered that for every new Wal-Mart store, there is reduction in the number of small establishments (fewer than 20 employees) and in the number of medium-sized establishments (20-99 employees) (2002, pg. 22). LaVecchia shows that public services are reduced in some cities to balance the budget after tax abatements are offered to large corporations. Kenyon et al. also agree that long-standing businesses and homeowners will likely have to pay more to subsidize newly attracted companies (2011, pg. 12). Lavecchia also points out that because large corporations have financial backing and legal support, they use their power to extract even more money out of local economies by initiating (and winning) challenges to property assessments to lower the amount of property tax being collected on their real estate (2015, n.p.). For these reasons, traditional business attraction strategies have long been deemed “low-road economic development strategy that does not increase overall productivity and investment but simply shifts it from place to place” (IEDC, 2010, pg. 11).

Business Retention and Expansion Strategies: Pros and Cons

Business retention and expansion (BRE) strategies take many forms, but the underlying thrust is that these strategies benefit existing businesses already anchored in a place. These strategies are diverse and may be in the form of policies or incentives to keep a firm from moving or downsizing in the locale, may aid local businesses in executing needed expansion plans or may be devoted to increasing the birth and survival rates of startup firms. The International Economic Development Council reports that BRE programs are the most common economic development strategy in the United States. Strategies include ensuring the local tax and regulatory climate is favorable to business, providing financing, evaluating current land use schemes, providing tax credits, and even promoting the co-location of similar businesses to promote agglomerative effects (IEDC, n.y., pg. 4-5).

Positive aspects of this type of strategy include benefits to individuals and to cities as a whole. One meaningful benefit to all economic development organizations is that BRE programs are generally less expensive and provide more jobs on average when compared to business attraction strategies (IEDC, n.y., pg. 4). If spending could be diverted from attraction strategies benefitting a small number of companies, this same amount of resources could be spread to benefit a greater number of small businesses because they require a smaller absolute dollar amount. Another benefit that Kinsley posits is that BRE activity promotes economic stability because local jobs are less vulnerable to the changes in the international economy (1997, pg. 11). According to the idea of industrial diversification, this makes sense that the greater variety of types of businesses in an economy provides stability in the event that one industrial sector experiences retraction because there are other industries to provide a buffer against downturns.

While a local economy is indeed made of “local businesses”, those businesses that are locally-owned provide a unique set of benefits as opposed to outside ownership or chain stores. For instance, in a 2012 study of retailers and restaurants in Andersonville, IL, Civic Economics found that for every $100 dollars spent at chain retailers, $13.60 was recirculated back into the local economy and for chain restaurants, this amount was $30.40. In comparison, for every $100 spent at a local, independent retailer, $46.90 was recirculated back into the local economy and for local, independent restaurants this number was $72.70 (Civic Economics, 2012, pg. 3-4). This firm found not only similar results in the West Michigan economy, but also calculated the amount of revenue recirculation per square foot, which revealed that locally-owned businesses are more valuable on a square foot basis than chain stores as well (Civic Economics, 2008, pg. 9-15). Local, independent businesses are able to accomplish this by spending more of their budget on local supplies, local business services, and through charitable giving. Though both locally-owned businesses and chain stores pay local taxes and local wages, Civic Economics found in West Michigan that locally-owned businesses hire more employees and pay higher wages, in comparison to chain stores (2008, pg. 9-15). Frishkoff also found that locally-owned businesses contribute more per-employee to their community than large businesses (1991, pg. 1). All this to say, business retention strategies that focus on locally-owned businesses will have the effect of putting more money into local pockets and into other local businesses.

Locally-owned businesses provide non-monetary benefits as well. Laniado found that lifestyle shopping centers around the country are increasingly including local businesses in the retail mix because these businesses “contribute to sense of place by contributing spaces more likely to promote social interaction and adapt over time and by providing a sense of uniqueness, rootedness and authenticity” therefore increasing the attractiveness to consumers (2005, pg. 41). Lyson, Torres, and Welch suggest that, “the community, not the corporation is the source of personal identity, the topic of social discourse, and the foundation for social cohesion (2001, pg. 323). This follows the ‘civic community framework’, which asserts that small local institutions and businesses bind residents to a place and engender more civically-minded behavior. This idea of local community investment is supported by Blanchard and Matthews who point out that local residents are more engaged in communities with a more pluralistic society associated with “a wealth of locally-owned firms” as opposed to “monolithic power structures” characterized by single firms accounting for large proportions of employment (2006, pg. 2242).

In a community full of local businesses, each owner will lobby for their interests which tend to parallel the interest of the community as opposed to firms owned by out-of-town investors. Particularly tied to local, political involvement are “land-based business interests” which due to the “relative immobility of capital investment gives the controllers of these enterprises a strong incentive to be deeply concerned about, and hence participate in, the political life of the city”, according to Imbroscio (1997, pg. 5). Though he was describing the “growth machine” of urban politics, Imbroscio’s point is that any business tied to a specific place—“land-based business interests”—will be more likely to be involved in local politics, advocating for their needs, which could benefit the community as a whole. While it could be argued that local developers and real estate entities would argue for policies that would increase business displacement, “land-based business interests” could also include any other business with a strong stake in their physical location and dependence on a local market.

Support for business retention and expansion does have limitations especially when these efforts are aimed at locally-owned, independent businesses. Indeed, free-market theory would imply that it is not the government’s job to pick winners and losers through business support programs, but rather failing businesses are the result of survival of the fittest dynamics in yielding efficient market outcomes. Following this line of thought, consumers are the ones “voting” for a business with their sales dollars so if a business fails it is because it was not serving the needs of its clientele. A PwC 2016 Retail Survey provides insight into consumer shopping preferences: 60% of respondents said price was their number one concern when shopping for a product, implying that values such as locally sourced or a firm’s ethical or social values are not priorities (n.p.). The cheapest goods are most likely to be found at chain stores, not local businesses that tend to place a premium on quality and uniqueness. This is observed by Basker et al. who state, “as a chain adds stores--increasing sales volume--economies of scale cause the marginal cost of the product to fall” (2010, pg. 2). These authors also note that consumers are also attracted to a “one-stop shop” experience and that large retailers are able to offer more products, thus reducing the numbers of shopping trips needed to complete necessary purchases (p.g. 1). In terms of pure price and convenience, smaller, local businesses have difficulties competing with large retailers. Local businesses tend to have smaller building footprints and offer a smaller range of products (albeit of higher quality). As a result, a jurisdiction may have to balance the pros and cons of providing services to small, local businesses in lieu of larger retailers.

For these reasons, jurisdictions continue to struggle with creating the right balance between attraction strategies and local business retention and expansion. Decisions between short-term gain and long-term development are difficult to discern and are highly dependent on the political climate. Even though empirical evidence and industry research points towards business retention and expansion strategies as providing the most sustainable economic development outcomes, the immediacy and greater numerical impact of attraction strategies continue to be a fall back for many communities. As previously stated, there are pros and cons to both strategies and it is important for decision makers to be aware of these consequences. The third wave of economic development almost renders attraction strategies irrelevant, as workforce development and quality of place become the highest priorities for firm re-location.

Small, local businesses have a role to play in improving the quality of place of communities around the country. These types of businesses often provide unique products and services that contribute to the authenticity and vibrancy of commercial areas that other types of businesses do not. In line with the civic community framework, local businesses are important because they provide avenues for engagement and investment in local communities. Strategies that work to harness the positive externalities of small, local businesses will provide enduring benefits to a local economy. However, because economic development follows sometimes conflicting strategies (business attraction and business retention and expansion), special measures must be taken to understand the challenges for small, local businesses. These challenges are particularly acute in cities experiencing property value escalation and can result in a loss of valuable local assets unless steps are taken to mitigate the effects of small business displacement. If a jurisdiction is serious about supporting businesses that are healthy for the local economy, then understanding the unique challenges faced by small, local businesses is an essential first step.

Chapter 4: Interview Findings

Nashville was initially chosen as a case study for several reasons. First, convenience in that the author was already acquainted with planning and economic development professionals in the area. Second, Nashville is a booming city just recently beginning to experience growing pains such as housing affordability pressures and increased traffic congestion. Knowing this, it is illuminating to investigate a city early in the trajectory of displacement. Thirdly, Nashville is fertile ground to discuss issues related to local businesses because Nashville prides itself on its business and start-up community, which have thrived thanks to institutions like The Nashville Chamber of Commerce and The Entrepreneur Center. In fact, for the year 2016, CNBC ranked Nashville as the 9th best city? for doing businesses in the country (CNBC, 2017, n.p.). This economic success has been coupled with rapid property value escalation for residential property and commercial property. "[Nashville] property [median] values have soared by a record…37 percent since 2013… For the first time since 2000, commercial assessed values are greater than residential assessed values" (Garrison, 2017, n.p.). Barron's identified Nashville as one of the hottest commercial markets to invest in stating, "More than 200 companies have relocated to or expanded in the hip city's metro area, accounting for 25,000 new jobs and 15 million new square feet of commercial real estate coming online in the 24 months leading up to May [2017]" (Talati, 2017, n.p.). Given the sudden and intense development occurring in Nashville, the following interviews are aimed to be "deep dive" into the consequences of such growth for small, local businesses.

The interviewees provided a spectrum of perspectives that give insight into how the issue of local business displacement is unfolding in Nashville and what the city is doing to remedy the impending turnover in the business community. From the Mayor's Office of Economic and Community Development to local business owners, the interviewees had a variety of positions and experiences that allowed a thorough examination of local business displacement. Nashville is already experiencing local business displacement as many local hangouts are replaced by more new establishments (See Appendix B). Is Nashville preparing for the inevitability of this process in any comprehensive way and does the city even view local business displacement as a threat?

The interviewees fall roughly into three categories: those who work on behalf of the city (more or less), those who work in non-profits, and small business owners. These different positions provide different observations into how Nashville is experiencing local business displacement. Immediately what stands out is the theme of disconnect between those organizations with the ability to influence policy and the realities of local businesses in Nashville. Even though local businesses are feeling extreme pressures due to redevelopment and property tax increases, this phenomenon is not being discussed by local economic development institutions. When asked about business affordability and displacement occurring in Nashville, Jennifer Carlat, VP of Metro Policy at the Nashville Chamber of Commerce stated, “I do not hear it coming up”. Similarly, when I brought up that in booming cities, like Austin and Nashville, commercial property taxes can be the reason that local businesses get priced out of their property, Audra Ladd at the Mayor’s Office expressed surprise. This struck me as odd because in another interview, a small business owner told me his property taxes increased 130% over 2 years when his property was reassessed. To me, this disconnect is not a result of neglect, but merely the natural result that occurs in a city with numerous competing priorities. This is echoed by Jarrod Dunn at the Housing Fund, who stated, “No one is building anything for small businesses...Right now it’s just housing”. Growing cities get hit on all sides by crises, whether it be housing affordability or increasing traffic congestion, but I want to know why local businesses are left out of the equation. What are the priorities of a city like Nashville if not the businesses that have been contributing to the tax base and investing in the local economy?

The interview questions were altered slightly for local business owners. Whereas city representatives were asked what the city was doing to help small businesses during a boom-time, small businesses were asked if they utilized any city services or programs. One question stayed the same: What are the biggest challenges facing the small business community? See Appendix A for the full list of questions.

Interview #1 Mayor’s Office of Economic and Community Development

My first interview was with Audra Ladd, Manager of Small Business and Creative Economy in the Mayor’s Office of Economic and Community Development. Together, she and one other person comprised this office. Their duties include general economic development such as workforce development and streamlining the development process to managing relationships with prospective companies and entering negotiations to offer incentives when necessary. This office also represents the mayor on relevant councils and boards across the city. Throughout my time in Nashville, this body was often referred to as the authority on local business issues.

In terms of challenges in Nashville for small, local businesses, Ms. Ladd pinpointed that Nashville’s creative community is struggling with affordability, specifically, because living and working in the same space isn’t often allowed through zoning and neither is working and selling.

In the same vein, she mentioned that more needs to be done to help match spaces with occupants because potential renters/owners might not understand where to look because zoning codes can be difficult to understand. Other challenges to supporting local businesses from her perspective included the concern that if the city offered a support program, but the local business was a renter, the business might not see any of the benefit and the landlord might actually be the true beneficiary, undermining the program's purpose. She said that barriers to purchasing property for local businesses perpetuate this imbalance between owners and renters. Lastly, she mentioned scalability as a challenge. She voiced the opinion that Nashville does a good job of launching businesses, but not as good of a job of providing spaces for businesses that have moved past the start-up phase. A contributing factor to this challenge is the inability of some businesses to receive loans because their business model is non-traditional or because the amount they need is too small to interest a bank.

Ms. Ladd mentioned several strategies that the city and other organizations are currently using to promote Nashville's small business community. First, she brought up "micro-retail" or "pod retail" as one solution that is being built in Nashville. Micro-retail features small, brick-and-mortar locations for businesses that are not ready for a full-size retail space. The next strategy discussed was the Artisan Overlay that was adopted in Nashville in 2015, which allows for residential uses to be placed above retail and (some) light industrial zoning. In Ms. Ladd's mind, this is key to supporting Nashville's creative entrepreneurs and makers. As a self-described "free-market person", Ms. Ladd is quick to highlight the success of this strategy in how private developers are already providing live/work models in Nashville to respond to this policy shift. Lastly, she mentioned that local businesses could benefit from mentoring during the loan application process to ensure that they are set up for the best outcomes.

Looking forward, Ms. Ladd hoped to see other strategies emerge that would continue to help the local business climate. For instance, she mentioned that crowd-funding could be used to help businesses that need smaller loans, but that are not eligible for traditional bank loans. Creating spaces for light manufacturing and industrial is also a priority for the Mayor's office because these industries are seen to provide the most jobs. In order to support these efforts, the office is looking to launch a website aggregator that would help match manufacturing/industrial companies with spaces in the city much like the SF Made organization in San Francisco. Similarly, she mentioned that a brokerage group specializing in small, retail space might be helpful for local businesses searching for space, but that such a group does not currently exist. Finally, Ms. Ladd discussed how Nashville is exploring prioritizing local businesses on the ground floor of mixed-use residential buildings as a way to provide opportunities for local businesses to survive the redevelopment of their property into a more intense land use.

Several observations made by Ms. Ladd and her colleague illuminated how the local business community is perceived by the Mayor's Office of Economic Development and Community Development. Both members of the office expressed their opinion that free-market economic forces should shape the "winners and losers" of Nashville's real estate market. Ms. Ladd's colleague joined in and stated that he believed in the "'local love model'--are you really supporting this business? This business is in your neighborhood...if you really care about local business and having a variety of options--then contribute". In expressing this sentiment, he demonstrated that sales alone should be viewed as the deciding factor as to whether a local business is considered successful in the real estate market. When I observed that some Nashville neighborhoods, which renovated unused land into a hub for local businesses and artists, are quickly gentrifying due to their own success, Ms. Ladd offered the solution that there is still affordable space elsewhere in the Nashville-area for them to move to. This implies that Nashville is at the beginning of its displacement trajectory. But, I wonder how the Mayor's office would respond once there is no more "affordable" property in the city--would local business displacement become more of a priority? Even if there is available affordable property in a city, this does not mean that the location will work for the business's current business model. A move could in effect be a closing for a business.

As seen in my later interviews, local businesses are often the "first-movers" to an area, improving the property and buildings, but they are often displaced once the real-estate community deems it valuable enough for large investments. Acting as if there will also be another affordable space for local businesses seems short-sighted. Though there is affordable commercial space at the present, if Nashville continues on its current trajectory this will not always be the case. Without affordable space, the commercial real estate market can become inequitable (just like housing markets) because there are no options for business owners with less capital. Furthermore, this attitude is at the heart of the problem that Ms. Ladd identified earlier: a lack of real estate options for businesses at different stages in their growth.

Interview #2 Small Business Owner

The second interview was with a local business owner who owns a co-working space near the downtown. He would prefer to remain anonymous and the name Tom will be used for this respondent. His co-working model is not a franchise, but rather his own style of office suites and communal workspaces. Previously, he had started and sold several other business ventures, so his past business experiences informed his view. His current business is located in a part of town that historically contained industrial uses, such as breweries or old manufacturing buildings, but its proximity to the downtown has created drastic shifts as other uses like hotels and restaurants are encroaching into the area.

His building was a vacant warehouse, which he transformed into usable space. As a result of this renovation and Nashville's recent real-estate boom, his property has become increasingly valuable in monetary terms, but this does not necessary mean more valuable to the business owner. His mission is to provide affordable office space and meeting space to Nashville's creative industries: singer-songwriters, marketing firms, artists, video companies, etc. Of course, this was a business investment and his goal was to make profit, but underlying his decision to pursue this model was his desire to cater to the creative community--a goal that is already being compromised by his rising property values. This business owner's story is not unique in that he feels that he is being punished with high taxes for making his building operable and improving the surrounding area. He believes the city is more concerned with big businesses and that it is unfair that large companies receive "corporate welfare", while small business owners like himself struggle to keep up with rising taxes.

When asked what are the biggest challenges facing the small business community, Tom's answers were not very different from the responses of the Mayor's Office. He mentioned getting access to financing for his DIY business model, the permitting/construction process, and property nearby with absentee landlords. Because of the renovations to his building, his property taxes went up 130% in two years after his property was re-appraised. For him, this was a big blow to his profitability and business model, which was predicated on providing affordable space. He pondered what a grace period would look like for local businesses in their infancy. The re-appraisal came during the middle of his businesses cycle and won't be able to change the amount he charges for co-working space in time to quickly recoup the new costs. In regards to the vacant lots surrounding his property, he shared his concern that it might deter potential clients. These absentee property owners are not taking care of their vacant properties, which have quickly become overrun with weeds and are even prone to crime.

In response to these issue and others, Tom and other business owners in the area formed an informal merchant's association and work together to solve the area's problems. They go out of their way to report crimes and even cut down the weeds on vacant property. When one business hosts a big event, they communicate to plan for shared parking, allowing for the success of other businesses even if sharing parking might be temporarily inconvenient. The informal group invites their local city council representative to their meetings. These are activities that help a city thrive and create a sense of community. Though, as Tom pointed out, “They’re making a lot of money off me...it’s almost like you’re getting punished for making Nashville nicer”. He didn’t know of any city programs that would have been helpful for his business and his general perception is that the city doesn’t appreciate small, local businesses even though he believes local businesses are “what gives a city its unique identity”.

Tom’s general sentiment was that the city did not care about him as a business owner or the other local businesses that he worked with. For him, there was a disconnect in the political process and he felt left out because he was the “little guy”. Tom is a “doer” and has worked to solve his own problems as a business owner, but as a result of this independent spirit, he is less likely to seek out city services and interact with elected representatives.

Interview #3 The Housing Fund

My third interview was with Jarrod Duncan, a self-proclaimed “reformed banker” who works for the non-profit, The Housing Fund. The Housing Fund “provides resources and creative leadership to help individuals and communities create and maintain affordable and healthy places in which low and moderate income people live”. As the name implies, this non-profit deals mostly in housing, but also has two programs that deal in funding affordable, commercial real estate. The clients of these programs range from other non-profits to daycares to charter schools. The common factor in these deals is that most of the property is located in areas of Nashville that are considered more risky by financial lenders and thus, these clients were unable to garner traditional sources of funding. In other cases,, clients such as newer non-profits might not have a proven track record and were unable to get funding for that reason. The Housing Fund’s commercial programs are dedicated to serving clients in low-income census tracts and to going the extra mile to secure funding when they believe a client’s idea is credible. The difference in The Housing Fund and other lenders is that employees, like Jarrod, know Nashville’s market better than outside lenders and have more of an understanding of the cash flow of atypical business models, such as non-profits or charter schools.

In terms of solutions for permanently affordable commercial space, Jarrod thinks legislation will have to lead the way and that “no one is going to do that out of the kindness of their heart”, referring to Nashville’s hot real estate market. He recommends “requiring it [affordable commercial space], but incentivizing it at the same time”. Similar to the Mayor’s office he also believes that the most powerful impact comes from assisting small businesses to own their property. In an ideal world, Jarrod suggested that a solution might look like a density bonus to incentivize affordable commercial property.

Jarrod’s history as a banker allowed him to critique the lending practices of traditional financing institutions. He said, “When you’re at the bank, you’re just helping people with money make more money…you weren’t helping people who really needed help.”. He emphasized that The Housing Fund operated just like a bank in expecting to make a return on their investment, but at the same, differently in that the organization was willing to do more “homework” into the qualifications of their clients. In doing so, The Housing Fund was able to fund clients traditionally overlooked, revealing how traditional lending is skewed towards unconventional business models.

Interview #4 The Chamber of Commerce

My fourth interview was with Jennifer Carlat, VP of Metropolitan Policy at the Nashville Chamber. Jennifer previously worked at the Nashville Planning Department as Special Projects Director. Her work history gives her a unique perspective on the issue of local business displacement. At the Chamber, she works with the Mayor’s Office, the 40-member city council, and all city departments on policy and regulations that affect businesses. The chamber is partially funded by the Nashville metropolitan government and provides economic development assistance to the Mayor’s Office through business recruitment and retention and business programming. Separate from metro, Jennifer’s role is also as a lobbyist to the legislature on behalf of business, which includes a holistic viewpoint such as how schools and transit plans play into the quality of the business environment.

From her viewpoint, the biggest challenges in Nashville are the typical culprits in fast growing cities: transportation, staffing problems, and housing affordability. For the local business community specifically she cites land costs, workforce availability, and rising rents. Workforce availability and staffing problems refer to the fact that Nashville’s workforce isn’t growing at the same pace as its population. Certain job sectors don’t have enough workers (generally middle skill jobs or trade jobs), and often, this is because these individuals can’t afford to live close enough to their jobs in a market like Nashville. David Plazas reports in his article, ‘A Dilemma for Renters in Nashville’, “[low-income renters] are being driven out of the urban core and even out of Davidson County, pushing them farther from jobs, public transit and community networks.” (2017, n.p.). When asked about local business displacement, she said, “I do not hear it coming up” (at the Chamber), but that during her time at the planning department, this was sometimes discussed in reference to Jefferson Street and South Broadway. The first being a historically black business community that was cut off from its clientele during urban renewal and the second being Nashville's tourist destination, known for country music culture and honky-tonks.

With South Broadway, the planning department discussed how to ensure that the district continued as a music, entertainment, and restaurant area. Ultimately, the city could not decide on how to effectively and beneficially limit the types of businesses allowed in the district and the issue was dropped. As for other business districts, she mentioned that the case tended to be that the clientele moved (or more likely, were displaced) and therefore, the businesses were no longer relevant. In her opinion, this was the more common way that businesses were gentrified as opposed to increases in commercial rents or property taxes.

When asked about solutions to small business displacement, Jennifer echoed the Mayor's Office that it is not the city's job to pick winners and losers, but to create an environment where there is opportunity and success. The idea of affordability for businesses "does not resonate with people". She mentioned that reusing old, industrial space for local businesses has been successful thus far in creating space for local businesses to thrive. She also referred to developers taking advantage of the new Artisan Overlay to create artist live/work space, but she did not believe this was a long-term solution. For her, the way to diminish the effects of local business displacement was to solve other, big picture problems first, like housing affordability and transit planning:

> "There's got to be thousands of people out there with fabulous ideas that they could launch, but if instead they are going through the daily grind of 'Am I finding housing that's affordable? Am I feeling good about our education system? Do I have transit?', they're never going to have the time to launch whatever it is that they could be contributing." (53:00).

Finally, she mentioned that at one point the city was considering hosting business incubator space on city-owned property, but that it never took off.

While not referring specifically to local business displacement, she also stated that the key to economic success at a city level was a diversity of industries and sectors and types of jobs. The fact that there is a mismatch between the skills of Nashville residents and the types of jobs being created was of central importance to the chamber. "I do not believe that having that level of inequality is healthy for a city", she said in response to the idea that Nashville could become like Austin or Seattle in terms of income inequality. For her, the job of the city is to provide "lots of paths upward or forward".

Though Jennifer was referring to workforce development, I wonder why this mindset does not easily transfer to physical spaces that businesses occupy. Businesses, too, need lots of paths upward and forward, but how do they mature if there is no space affordable to them? Businesses are one way for people to gain wealth and move up in life. If a city does not lower the barriers to entry, then the market is skewed towards those businesses (and individuals) with the most money. If a housing market is considered unequal if there are no affordable options, why does this mindset not also transfer to commercial spaces?

Interview #5 The Chamber of Commerce

While in Nashville, I was able to interview Chris Cotton, Director of Business Growth Initiatives also at the Chamber. He had been working at the Chamber for eight years so he gave his perspective of the Chamber's history. The chamber's focus shifted from business attraction to workforce development and education over the last five to ten years. Today, the Chamber focuses mostly on established businesses. This is because the Chamber founded The Entrepreneur Center in 2010 to establish a more specialized organization to cater to the needs of Nashville's start-up community. Chris runs two programs: Scale-Up, a cohort-model that focuses on small businesses and Business Studio, a drop-in, workshop series open to all Chamber members. Most of the members that take part in these two programs are in professional services and do not require a specific, physical space to be successful. Even though these programs are targeting different segments of Nashville businesses, Chris still acknowledges there is a gap in services for those businesses that do not wish to scale up or do not require venture capital. He recognized that the city did provide one incentive program for growing small businesses, but that it only applied if a business hired ten people in one year, lacking relevance for most small businesses. Consequently, he expressed the sentiment that, "It would be great to at least see support all along the way of different aspects of businesses".

In his role, the challenges that he sees most often facing Chamber members have more to do with business models and less to do with physical space. Issues such as marketing and cash flow are more common in his line of work. When asked about the issues of the Nashville small business community in general, he stated, "transit is the issue" and also pointed to the issues that redevelopment can bring as tenants are kicked-out to make room for something new. When asked about solutions to local business displacement, Chris said, "I would love to see more of a toolkit in terms of incentives for small businesses". He also pondered how metro owned property could incorporate small businesses and startups. Finally, he questioned if the

Ryman Loft model could work for other types of businesses (Ryman Lofts are affordable housing specifically for Nashville residents pursuing a career in the arts).

In talking to Chris and learning about the programs that he directs, I learned a little about Nashville's business ecosystem. Often chambers are touted as the best support for businesses, but even Chris recognized that there were gaps in the programs he was able to offer. Furthermore, he acknowledged that the type of businesses that attended his programs tended to be professional services, a narrow definition of "business". These realities might imply that the chamber is not the best advocate for many local businesses, contrary to popular belief. Similarly, given that the Chamber contracts with the city to develop policies that affect the business climate, it is problematic that in his position, Chris is only exposed to a narrow range of local clients. Taken together with Jennifer's input, it is not surprising that local business displacement is not on the docket at the Chamber and that there is no advocacy for businesses being displaced by Nashville's growth.

Interview #6 Nashville Independent Business Alliance

My final interview was with Telisha Cobb, Founding Director of the Nashville Independent Business Alliance or Indy Nash. Indy Nash "is a non-profit organization which provides a collective and uncompromised voice for locally-owned, independent businesses in Metro Nashville" with over 750 members. Generally, members represent neighborhood-serving businesses. Telisha is also an owner of Marathon Music Works, a mixed-use music and entertainment venue. In her work at Indy Nash, Telisha is motivating independent businesses to be more civically engaged, providing more leadership training for members, and pursuing ways to get independent businesses on boards that influence the business community. Indy Nash is also compiling a database of independent businesses to provide more data to back-up decision-making and policy recommendations.

When asked about the challenges of the local business community, Telisha had a lot to say. From the start of this interview, it was clear that out of all my interviewees, she was the most in-tune with the local business community. Telisha recounted how codes, historic preservation restrictions, liquor laws, and development fees inadvertently work as barriers for small business development. One story she told was about a local business scaling up from Nashville's pod retail village into an older, stand-alone building. The owners chose this building for its affordability, but also to reuse a building rather than tearing it down. However, because the building was older, the owners were told that they had to replace all of the window and doorframes because these were not up to code (even though the building met the standards at the time it was built). This strict application of building codes almost bankrupted this local business in the midst of “scaling up”.

For Telisha, this is one result of a lack of representation of independent businesses “at the table” where decisions are being made about issues that affect the business community. In her opinion, regulations are being applied so strictly that smaller businesses are being adversely affected, and she said, “We [Nashville] are building for chains and building for bigger corporations”. This interpretation was reinforced by her experience as a business owner. Specifically, she mentioned that throughout the process of getting her plans approved for Marathon Music Works, she was constantly given different, conflicting directions depending on who she spoke to that day at the city’s development services department. The lack of clarity and constant back and forth was a burden on time and money for her business. Telisha observed that bigger developers were able to get away with certain things that small developers could not, such as having their parking minimums changed by the city. In her mind, this was one more example of how the Nashville development process is skewed against small businesses.

When asked about solutions to local displacement, Telisha mentioned Prop G in San Francisco that makes formula retail a conditional use subject to approval in certain parts of the city. She also proposed tax incentives for landlords that retain local businesses in the face of redevelopment. Another solution would be to study the amount of revenue circulated in the local economy from local Nashville businesses and how many jobs they are creating to provide data behind her advocacy work. Finally, she expressed concern that the city does not do any surveying in regards to resident attitudes towards small businesses: “We’ve started surveying around where do you want more parks...but can we do an economic development survey?”.

Telisha’s position as a small business owner and an advocate for Indy Nash enables her to understand the challenges of running a business in Nashville, while also seeing the big picture of Nashville business policy. From her experience, policies that affect small businesses the most are the ones related to the development process. These policies are geared towards larger businesses with more capital and more influence. Larger companies can afford the various taxes and costs that come with development and they also have the time and resources to contest a decision made by the city, which might win them a more favorable outcome. The end result being that large businesses (generally chains) get various fees and regulations waived even though these businesses have the resources to afford it, while small businesses get mired in the development process, paying every single fee even when these businesses do not have the resources to afford the fees and delays. Ultimately, those with money save money, and those without money are forced to spend more for the same city services.

Summary of Interview Findings

Table 19. Common barriers to local business affordability in Nashville

**Bold represents a theme shared by multiple interviewees*

	Mayor's Office	Chamber	Small Business Owner	Non-profit
Affordability	x	x	X	x
Housing affordability	x	x		x
Transportation issues	x	x		
Financing	x		X	x
Zoning/Codes	x			x
Development Process	x		X	x
Rent v. Own	x			
Opportunities/Resources for scaling up	x	x		x
Taxes (property and impact fees)			X	x
Absentee Landlords			X	
Lack of political representation			X	x
Workforce Development		x		
Land costs		x		x
Business model		x	X	
Marketing		x		x

What is striking about the interview responses is how often general urban planning issues such as housing affordability and transportation issues were brought up in respect to local business affordability. Affordability, in general, was mentioned by all interviewees, demonstrating the types of stresses taking place in Nashville currently. Many of the barriers were mentioned by multiple interviewees showing some cohesion in the understanding of why local businesses are struggling. Also notable is that a lack of political representation was mentioned by small business owners and non-profits (and not city entities), further pointing to a potential disconnect between those with the power to make decisions regarding business policy and those who are affected by such policies. Similarly, those interviewees like Jarrod and Telisha who have occupied different positions (banker v. reformed banker; small business owner v. small business advocate), were the ones able to pinpoint where policies and practices unintentionally hurt small businesses. Only with their expanded experience were they able to see how power dynamics in the policy-making process benefited those in power (e.g. with money) and worked against those with less power and influence. Only one interviewee specifically named increases in property taxes/appraisal values as harmful to small businesses, but he was the only person being interviewed as a small business owner. Potentially if I had interviewed more business owners this would have come up more often, but all other interviewees worked for economic development organizations that interact with small businesses at a higher level.

If local business displacement continues to be an issue, the Chamber of Commerce and the Mayor's Office of Economic Development should work together with other relevant community organizations to create a strategic plan for mitigating displacement. Based on the lack of exposure to this issue that both entities are currently exhibiting, studying local business displacement would be a first step, but considering the ramifications of mass displacement is imperative. Nashville is known for its welcoming business climate, but if "welcoming" actually means "indiscriminate", Nashville will lose out. Nashville is known its culture, music, and arts, but if these types of businesses cannot afford "new" Nashville prices, what will Nashville be known for when they close down or have to move to another part of the county?

Table 20. Solutions to Small Business Affordability in Nashville

**Bold represents a theme shared by multiple interviewees*

	Mayor's Office	Chamber	Small Business Owner	Non-profit
Micro-retail	x			
Artisan Overlay (mixed zoning)	x	x		x
Business mentoring	x			x
Crowd-funding for small businesses	x			
Using old industrial space for commercial	x	x		
Marketing to increase exposure	x			
Small space brokerage group for commercial	x			
Local businesses on ground floor of mixed-use	x			
Business associations			x	x
Grace period for taxes for start-up phase			x	
Incentives for affordable commercial/small businesses		x		x
Improving quality of life (housing, transit, etc.)		x		
Diversification of job types available		x		
Job skills training		x		
Affordable housing		x		
Research small business impact on economy				x
Survey residents on small business preferences				x
Prop G (San Francisco)				x
Political advocacy				x
Increasing equity of local business in their property	x			x

The solutions proposed to help small business affordability were more diverse than the barriers discussed. Only a few solutions were mentioned by multiple interviewees. The Artisan Overlay is being held up as a premier example of a policy that works for both the city and the small business community in creating more spaces for local businesses. The other solutions that were proposed by more than one organization included the formation of business associations, incentives for affordable commercial/small businesses or developers that support them, and increasing the equity of small businesses in their property. Solutions that address permanent affordable space or the creation of more space that is small business-friendly appeared to be one solution that was shared by city entities and small business advocates. This strategy represents a way to incentivize the private market to provide for small business demands and could be more politically palpable.

Chapter 5: Common Barriers to Local Business Affordability and Solutions to Preserving Local Businesses

Common barriers to local business affordability, which can lead to displacement, exist on a spectrum of responsibility. For the purposes of this study, I am mostly interested when responsibility falls to public entities or quasi-public entities, such as city departments, chambers of commerce, and elected officials. If business retention and expansion truly represents sustainable economic development, and locally owned businesses provide benefits to cities and residents as described, then public officials should be interested in the challenges faced by these businesses. I will also investigate how responsibility can fall to the private sector and non-profit sectors. Of course, the businesses themselves are responsible for their success, but I want to highlight how various actors—public and private—play a role in the success of local businesses, whether they are aware of their influence or not.

Theme #1 Accessing Financing

First of all, profit is undoubtedly in the realm of responsibility of the business owner. However, all the factors that affect profit are not in the control of the business owner. Profitability begins to enter a grey area when looking at factors such as financing. While local businesses need to meet bank's criteria when applying for loans, sometimes this process is skewed against smaller businesses regardless of their qualifications. Often, small businesses need small loans that do not interest larger banks. The Institute for Local Self-Reliance (ILSR) finds that the largest twenty banks, which control close to fifty-seven percent of all bank assets, invest only eighteen percent of their commercial loan portfolios to small businesses (Mitchell, 2010, n.p.). In 2014, the ILSR also found that small to mid-size banks make sixty percent of all small business loans, showing the imbalance in commercial lending (LaVecchia, 2015, n.p.). Furthermore, bank financing prioritizes buildings that fit within standardized, physical forms or the “nineteen standard real estate product types” because these are more easily backed by Wall Street underwriters (Leinberger, 2008, pg. 50).

These barriers are supported by interview findings in Nashville, TN as well (Ladd, personal communication, December 22, 2016) (Tom, personal communication, December 23, 2016). The general lack of access to financing for nontraditional models was also echoed by Jarrod Duncan at The Housing Fund. He iterated that the non-traditional businesses that The Housing Fund lends to are credit-worthy, but that large banks do not conduct the same amount of investigation into a business's model and are more likely to reject small business proposals without diving into the details (personal communication, January 3, 2016). From the starting point, small businesses are less likely to receive funding if the amount they need is too small or if their business model or building is unconventional. Profitability is important because in a booming city, rising rents or rising property taxes are the other major barriers that inhibit local business affordability. But businesses can only increase their profitability by increasingly investing back in their business, which is why access to financing is a serious barrier. The only way that a business can overcome rising costs is to increase sales revenue in order to profitability to afford their increasingly more expensive space.

Solutions for these issues include public as well as private solutions. Cities can act as intermediaries in helping small businesses procure loans. Salt Lake City created an Economic Development Loan Fund of $10 million to provide loans to local businesses, almost half of which supported low-income entrepreneurs (ILSR, 2016, pg. 14). Many cities have utilized HUD funding to provide small loans to businesses for façade improvement (USHUD, 2015, n.p.). Or as the Nashville Mayor's Office suggested, the city could sponsor a crowd-funding website so that residents can fund projects in their own neighborhood (Audra Ladd, personal communication, December 22, 2016). Cities could also provide programs (or sponsor private-sector organizations) to mentor a business through the loan application process. Lastly, as demonstrated by The Housing Fund and ILSR, sometimes private-funding is skewed against small businesses. In this case, nonprofit or private entities such as Community Development Financial Institutions (CDFI) or Community Development Corporations (CDC) will have to be created to remedy the imbalance with a focus on lending to community businesses.

Table 21. Accessing Financing

Problem	Solution
Difficulty getting loans	Mentoring; Application counseling
Difficulty getting small enough loans	City-sponsored loans or grant programs; Federal loans or grant programs; Crowd-sourcing
Difficulty getting loans for non-traditional businesses	CDFIs, CDCs, etc.

Theme #2 Taxes

There are certain barriers that are in the realm of responsibility of the city. This can include elected officials or those who help shape policy to employees in municipal departments. Policy makers decide priorities, write laws, define problems, and prescribe remedies. For small, local businesses, these decisions can make or break a budget. One barrier to business affordability is property taxes. As cities grow and property becomes more valuable, the amount that property taxes cut into a business's budget increases. Cities in the United States rely heavily on property taxes. In 2006, local governments raised almost 72 percent of their tax revenues via property taxes (Lincoln Institute of Land Policy, 2010, pg. 4). Given the importance of property taxes to local budgets, city governments will always opt to collect more taxes in times of prosperity. To lessen the effects of this escalation, property tax breaks could be given to small, local businesses. In Austin, the city is considering giving property tax breaks to property owners who rent to music venues, an iconic industry for the city (Swiatecki, 2017, n.p.).

Hotel occupancy taxes (HOT) provide a mechanism for financing programming that can help support local businesses. Since small, local businesses contribute to the character and quality of a city, they directly impact and encourage tourism. Rapidly growing cities are typically hot beds for tourism, and the relationship between tourism, displacement, and small, local businesses is undeniable. Even if a small portion of a HOT could be designated for small business purposes, this would provide a consistent stream of revenue that could be assigned to mitigate the effects of rising land costs for local business owners.

Other strategies that can lower the property tax burden on local businesses include utilizing commercial land trusts, capping commercial appraisal values, and starting a legacy business fund. Just like with housing land trusts, a permanent restriction is placed on the value of the land, which maintains property taxes and/or rents associated with the parcel below a certain threshold for perpetuity or for the length of the land lease (generally 99 years). Already, commercial land trusts have been implemented in New Orleans and Baltimore. Another strategy is to implement a cap on the amount that commercial property can increase between appraisals. This is a common measure to keep residential property more affordable, and could be investigated for commercial properties. In Florida, there is a cap on increases in commercial appraisals of 10 percent (Johnson, 2011, n.p.) and a similar measure has even been discussed by Texas State legislators (Texas House of Representatives, 2009, n.p.). Finally, San Francisco implemented a Legacy Business Historic Preservation Fund in 2015, which identifies key local businesses that are over 30 years old and have contributed in meaningful ways to the city and provides them with relief in the form of cash payments (Legacy Business SF, 2017, n.p.).

Table 22. Taxes

Problem	Solution
Rising property taxes	Cap on % increase between appraisals; Commercial land trusts; Legacy Business funds; Property tax break for small, local businesses
“Highest and Best Use” taxation	Property tax break for small, local businesses
Tourism contributing to displacement	Earmark portion of Hotel Occupancy Tax to be used for small, local business needs

Theme #3 Disparate Impact

In addition to the property tax burden, impact fees and other costs of development can take a toll on small businesses. This “cost of doing business” is inevitable, but businesses express that it’s not just the cost that is the problem, but it’s also the way in which these costs are applied with discretion that is the problem. More than one business owner in Nashville expressed dismay that smaller businesses do not receive the same treatment by city policies as larger businesses (Tom, personal communication, December 23, 2016) (Telisha Cobb, personal communication, January 11, 2016). This lack of consistency is also cited as a problem by the Austin Independent Business Alliance (2012, pg. 9). Telisha Cobb, of Nashville IBA, stated that large developers in Nashville often get privileged treatment including waived fees or loose application of zoning regulations like parking minimums that is not extended to smaller businesses (personal communication, January 11, 2016).

Similarly, the Institute for Local Self-Reliance found that big-box stores across the country are appealing tax assessments and even going to court to get their property taxes lowered through a method deemed “dark store”. With this method, big box stores are compared to other big box stores (even if they are empty) during the appraisal process, effectively lowering their true value. Because large corporations have more time and resources, these companies succeed at slashing their property tax liability and even forcing localities to retroactively pay back previously collected property taxes based on the newest assessment (LaVecchia, 2015, n.p.). A County Administrator from Marquette, Michigan, a county being affected by the dark store assessment method, stated how this directly impacts smaller, local businesses: “Your local entrepreneur making a go of it, they don’t have a good way to work around their taxes. It’s setting up an unfair market, and making it harder for them to compete” (LaVecchia, 2015, n.p.).

The municipalities affected by the dark store method have started to produce legislation to prevent further damage. The problem originated because big-box stores the dark store assessment method was allowed according to strict interpretation of the law as written. As a result, those municipalities have re-written their laws to evaluate big-box properties under a new set of considerations. In Marquette this includes a new law that sets firm guidelines for properties that are 10 years old or less.

Table 23. Disparate Impact

Problem	Solution
Unfair treatment in development process	Small, local business advocates represented on decision-making bodies
Unfair treatment in tax assessments	Ensure that cities have policies that protect against special or unequal treatment for large corporations

Theme #4 Commercial Renters

Issues faced by businesses that do not own their property and are tenants of a landlord are different than businesses that do own their property. While renters do not pay property taxes directly, they do so indirectly by paying rent to a landlord. When property taxes go up, this cost is normally passed on to renters through tax increases. Just like with landlords, property taxes pose a problem only if the rate of increase is rapid and businesses cannot sustain the increased cost. Other issues, such as eviction and negotiating rent contracts, are specific to renters. While residential renters have laws that protect them from landlord abuse including unlawful evictions and rent increases, commercial renters often do not have these same protections. Local businesses can be evicted with less than 30 days’ notice, which gives no time to seek a new space, notify customers, or strategically plan for the move. In Brooklyn, a zoning change under the Bloomberg administration left the tenants of Fulton Mall, a historic hub for African American and Caribbean business owners and the third most profitable shopping district in New York City, scrambling to survive (Anderson, 2012). Most businesses lost their customer bases and simply could not survive the traumatic move. According to the New York-based Urban

Justice Center and grassroots group, FUREE, over 57% of businesses experienced negative consequences of this re-zoning (Schuerman, 2004, n.p.). In 2008, a 10-year, Fulton business owner stated, "I was left no alternative but to auction off my equipment 10 cents on the dollar and fold up a flourishing business" (Schuerman, 2004, n.p.). This story highlights the precarious relationship between commercial renters and landlords. Especially if a business is attempting to grow or plan for new capital investments, having some degree of certainty regarding their space and rent is necessary for a successful business plan.

Solutions for commercial renters are few and have not been as thoroughly explored as those for residential renters. From 1945-1963, New York City experimented with commercial rent control. In the 1978, Berkeley, CA passed several pieces of legislation that restricted future rent increases and provided rebates to commercial tenants based on a property tax break given to California landlords (Herranz, 2017, n.p.). Though these measured only lasted for one year, they provide examples of possible solutions for commercial renters. Protections against landlord abuse for commercial renters can include eviction protections such as extending the typical 30 days' notice to 180 days' notice, requiring a one-year lease renewal option, or providing negotiation, mediation, or arbitration for small businesses. In 1982, Berkeley also passed several "Rent Stabilization and Eviction for Good Cause Ordinances" which included many of these solutions with the stipulation that all rent increases be subject to the judgment of an independent arbitrator's assessment (Rosenberg, 1988, pg. 283). Tax incentives for land lords who rent to small, local businesses could also reduce the power imbalance by giving landlords an incentive to house them (ILSR, 2016, pg. 5). Legislation introduced in New York City called the Small Business Jobs Survival Act was introduced in 2014 which has two solutions to renter-landlord imbalance: 1) minimum 10-year lease with the right to renewal and 2) equal negotiation terms and recourse to binding arbitration by 3rd party (Take Back NYC, 2015, n.p.).

The vulnerabilities of renting can also be mitigated by providing more pathways to ownership for small, local businesses. In these instances, property taxes would continue to be a cause for concern, but ownership would provide protection against issues associated with renting. There are several strategies for increasing ownership. One, public or private organizations could provide tax breaks to small, local businesses to buy their building with the restriction that the space stays affordable in perpetuity. In Austin, the Independent Business Alliance is working to procure federal grant funding to create lease-to-own program for local businesses. In Salt Lake City, the Economic Development Department is working with local banks to create a "Buy Your Building" program by offering city money to ensure the loan is low-interest or to provide a down payment (ILSR, 2016, pg. 14). Commercial condominiums are another strategy that allows business owners to purchase a property under a different legal scheme with the same conveniences that apply to residential condos such as deductions on property taxes, utilities, insurance, repairs and depreciation (Smith, 2004, n.p.). Lastly, real estate investment cooperatives allow neighborhood residents to invest in the ownership of local businesses and take control of the real estate market (ILSR, 2016, pg. 5).

Another approach entails creating temporary, but affordable spaces for businesses in the start-up phase. Though these businesses might not be able to find space in expensive cities, temporary spaces can be leased at affordable rates over short periods of time. Two examples include Pop-Up Hood in Oakland, California and Meanwhile Spaces in London, England. Meanwhile Spaces in London launched in 2009. Meanwhile Spaces is a Community Interest Company (CIC), which brokers affordable commercial space for low-income entrepreneurs by utilizing storefront space when it is in between leases. Implemented in London for lagging markets, because there is the incentive to activate the storefront, this trend could be implemented in rapidly growing markets as well if there is a similar mismatch in commercial demand and supply. In London, these affordable spaces helped 511 people take advantage of the program and create 170 jobs, some for previously unemployed individuals (Meanwhile Spaces, 2017, n.p.).

Pop-Up Hood employees a very similar model, focusing on three-month to five-year leases to micro entrepreneurs, but has seen success in rapidly growing parts of Oakland and Berkeley, proving that this strategy works in high value areas. Often, Pop-Up Hood sponsored leases contribute the gentrification of a commercial corridor, but negotiating the affordable, short-term leases provides businesses the opportunity to benefit from the exposure in the critical, start-up phase (Sisson, 2016, n.p.).

A related, but different approach involves pod-retail or micro-retail and creating “start-up villages” that lease small, commercial spaces to local businesses. Often businesses in the start-up phase do not need the large spaces that are typically created for commercial retail. The smaller spaces better suit the needs of these businesses and the support and branding around a start-up village provides some momentum for the businesses, as well. The Shoppes at Fatherland are one example where this is taking place in Nashville, TN (Audra Ladd, personal communication, December 22, 2016).

Figure 6. The Shoppes on Fatherland Nashville, TN

Table 24. Commercial Renters

Problem	Solution
Rising rents	Commercial rent control; cap on the amount rents can increase;
Lack of protections	Eviction protection; lease renewal options; Lease negotiation, mediation, or arbitration
Lack of ownership	More pathways to lending (lease-to-own); commercial condominiums; Real Estate Investment Cooperatives
Lack of affordable, physical spaces	Meanwhile Spaces; Pop-Up Hood, pod retail

Theme #5 Regulatory Framework

Similar to the theme of disparate impact, the regulatory framework of development, zoning, and codes can have detrimental effects for small, local businesses. In Nashville, one problem was that rigid zoning categories did not allow for commercial spaces to be used most effectively. The artisan overlay allowed a mix of uses to help small business owners maximize the value of their space. The built form of older buildings is more conducive to small, local businesses because they offer smaller, physical spaces. As older buildings are renovated or torn down, these smaller spaces are disappearing and are being replaced with larger spaces that can only be filled and afforded by chain retailers (ILSR, 2016, pg. 11). Furthermore, even if older buildings are being adapted and re-used for commercial uses, the strict application of codes makes renovation almost as expensive as constructing a new building, reducing sustainability and increasing building costs (Telisha Cobb, personal communication, January 11, 2016).

A different problem involves the financing behind large commercial or mixed-use developments. Many chain retailers are considered "credit tenants", the most desirable tenants of lending institutions because they are backed by the financing of large corporations and have a proven track record (Jemmett, 2013, n.p.). Francis Rentz explains that credit tenants are businesses that have "a credit rating from one of the big rating services like Moody's or Standard & Poor's- BBB, Aaa-, etc." (2015, n.p.). Entrepreneur.com goes further to explain, "to finance a center, the developer needs major leases from companies with strong credit ratings. The developer's own lenders favor tenant rosters that include the triple-A ratings of national chains" (n.y.,n.p.). While this is rational, the outcome of this bias is that credit tenants are often incentivized in new developments through reduced leases, which are then subsidized by increased rents for all other tenants. KW Commercial and NNN Properties group provide a list of their clients and corresponding credit ratings; of the clients in the A-AAA ratings categories, familiar chain retailers such as Home Depot, Home Goods, Costco, Target, Walmart, Marshalls, TJMaxx, Starbucks, and more were included, demonstrating how the ubiquity of these stores is related to their credit ratings (2015, n.p.). This helps explain the proliferation of chain retailers in large, new developments and the complete absence of small, local businesses.

Barriers related to land development, zoning, and codes are rooted in the public safety and in easing the development process; however, the result has been increasing uniformity in the built environment and a lack of diversity as it relates to commercial uses. Due to the complexity and expense of the development process it is rational to favor chain retailers with proven track records that will provide investors with a return on investment, but chain retailers are not the only option. Cities can provide incentives and other policies to help correct a skewed market to facilitate the presence of small, local businesses in new development.

Small, local businesses need small spaces. The Austin Independent Business Alliance (AIBA) recommends adapting zoning policies to encourage developers to create spaces ranging from 500 to 1,500 square feet (2012, pg. 8). New York's City Council approved a zoning change to regulate the width of new storefronts at the street level, restricting them to 25ft to 40ft (depending on the street) with the intention of making spaces more conducive to a variety of businesses and to smaller, local businesses (ILSR, 2016, pg. 19). Relatedly, the National Trust for Historic Preservation found that neighborhoods with buildings of varying ages have more start-ups and more businesses owned by women and people of color (Preservation Green Lab, 2014, pg. 4).

In regards to the strict application of code compliance, the authors of Economic Rental Housing by Design for Communities That Work found that increased rental housing affordability could be achieved if certain code and zoning regulations were loosened as long as it did not result in an adverse effect to public health, safety, or welfare (White et al., 2016, pg. 22). Establishing a standard of “good enough” code compliance helped with affordability especially for renovated or repurposed buildings that were built to code at the time of construction. Relevant examples of how zoning and codes were altered to facilitate affordability in residential uses which could be adopted by commercial uses in these select ways: A) waiving height restrictions; B) decreasing minimum space requirements per unit; C) larger number of units per acre; D) decreasing parking minimums; E) not requiring window replacement when existing windows are sufficient; and F) not requiring resizing doorways. Similar considerations could be made to zoning and code requirements of commercial spaces as well.

To provide more opportunities for local businesses to fill the commercial and retail needs of new development, cities have enacted policies that help level the playing field. In response to the growth of chain retailers, San Francisco passed Proposition G in 2007 which made formula retail uses a conditional use in all areas zoned neighborhood commercial and some areas zones residential commercial combined, urban mixed use, mixed use general, residential transit oriented, and special use districts (San Francisco Planning Department, n.y., n.p.). As such, these conditional uses are subject to commission approval, which follows guidelines aimed at limiting the amount and concentration of formula retail in any of the above zoning areas. Similarly, cities are looking into policies that would create space for local businesses on the ground floor of new, mixed use developments, especially if these businesses were proven local brands.

Table 25. Regulatory Framework

Problem	Solution
Strict application of codes	"Good enough" application
Rigid zoning categories	Mixed uses that support small business (live/work, make/sell, etc.)
Building spaces that are too large	Pod-retail, Change codes/zoning policies
Lack of diversity in types of commercial	Formula retail restrictions

Theme #6 Bias in Economic Development Strategy

Good Jobs First found that "92 percent [of survey responses] found that the spending balance on incentives between small and large businesses in their state is biased towards big businesses" (2015, pg. 3). While this survey was an opinion poll, there is also empirical proof that this is true. Good Jobs First followed up on this survey and studied over 4,200 economic development incentives given in 14 states and found that large companies (defined as having over 100 employees, over 10 locations, or non-local ownership) were awarded between 80 and 96 percent of incentives even though incentive programs were marketed as being open to both small and large companies. Even though many economic development professionals claim that the government should not "pick winners and losers", state economic development policy does just that to the detriment of small, local businesses. In a sense, local Nashville business owner, Tom, is right, large companies do receive "corporate welfare" while small businesses are subject to strict application of tax laws and fees.

Advocates for small, local businesses have suggestions on how to fix this bias. First, cities should stop providing economic subsidies to businesses that are proven to be net fiscal burdens to localities. This money could be better used in supporting measures that truly benefit all businesses such as workforce development, public education, public transportation, etc. These types of solutions are supported by local business owners as strategies that would ultimately help their businesses survive and compete in growing cities even though small businesses are not the direct recipients.

Nashville Independent Business Alliance Founder Telisha Cobb asked for more seats at the table where decisions are made that affect local businesses and more civic leadership training for local business leaders so they can engage with policy makers. She also is creating a policy platform backed by data collected on the impact small, local businesses have in Nashville business sectors and neighborhoods to present to the 2020 mayoral election. Austin

Independent Business Alliance Executive Director, Rebecca Melancon, asked for a lead local business position in the city's Economic Development department to oversee small business relations and audit the development and permitting process for small businesses (Melancon, 2017, n.p.). Although neither of these recommendations have been implemented, solutions such as these help address the lack of representation of small business interests in local policy making.

Other cities have launched organizations that support local businesses organized around sector. For example, San Francisco created SF Made to highlight local manufacturers and the goods they produce. The SF Made website features a map of included businesses, job postings, links to business development support, and other resources (SF Made, 2017, n.p.). The Chamber of Commerce in Columbus, Ohio has a Made in CBUS campaign that features a window decal on small, local businesses identifying members. Additionally, a website was created titled Made in CBUS Trail which features an interactive map which highlights members and the incentive that if anyone shops at four of the represented businesses they get a Made in CBUS t-shirt (Made in CBUS, n.y., n.p.).

Table 26. Bias in Economic Development Policy

Problem	Solution
Incentive programs do not reach small businesses	Promote solutions that benefit all businesses (housing affordability, public transportation, quality education, etc.)
Bias in economic development policy	Increase representation of small businesses on relevant boards and commissions related to economic development, land development, and incentive policies; Ensure small business representative in government economic development departments; Leadership training for local business leaders
Companies who receive incentives do not deliver jobs/wage promised	Create transparent incentive tracking program (ex: Good Jobs First); Launch website promoting small, local businesses (ex: SF Made. Made in CBUS)

Chapter 6: Recommendations

"We know that small businesses, particular those that are neighborhood-based, are important contributors to the identity of Seattle, and the diversity and what makes it attractive to be here…"So we don't want to just let the market do what the market does, and we want to see if there are ways that we can intervene". (ILSR, 2016, pg. 7)

--Ken Takahashi, Office of Economic Development in Seattle

Cities known for displacement issues are taking the most radical stances on local business displacement. San Francisco's proposition G is the policy with the most "teeth", requiring approval for formula retail in specific zones. Historical efforts by Berkeley represent the most extreme form of mitigation through commercial rent control, but this policy did not have a long lifespan. Today the bay area continues to be a hub for innovation in regards to small, local business support through programs like Pop-Up Hood and the use of commercial condominiums. However, the programs today represent more market-oriented strategies that do not require as much political will to implement, which may prove more successful in the long run.

Outside of these displacement outliers, other cities are promoting efforts through typical business retention and expansion strategies that ultimately help mitigate small, local business displacement. Cities like Salt Lake City, Utah are using their influence to work with local banking systems to provide more affordable loans for businesses. Nashville is an example of how urban planning works directly with the small business community to create a more flexible zoning category in the hopes of decreasing the barriers for small businesses. Finally, any sort of city-sponsored small business campaign increasing exposure for small businesses (like Made in CBUS) works to tip the scale of economic development away from large corporations and business attraction strategies to more sustainable, at-home growth.

For those cities wanting to reverse the market trends that are accelerating small, local business displacement, this study concludes with a set of recommendations that will help preserve these businesses that are being affected by rapid growth. The recommendations include tools to make the case for the positive economic impact of small, local businesses and to create economic development and land use policies that are fair to small, local businesses. The goals are arranged in order of priority.

Action Plan

Goal 1. Correct the bias in local economic development practices

In order to solve a problem, a city needs data and background information to pinpoint the origin of the problem. Cities and their economic development partners need a comprehensive approach to studying small, local business displacement.

1.1. Hire a lead small business representative who only focuses on small business issues in the most pertinent economic development department (public or private).

> 1.1.1. Create a small, local business registry/inventory and ensure that it tracks relevant information such as number of employees, average wages, specific type of business, who owns the building/property, etc.
>
> 1.1.2. Track increases in commercial property values and commercial rents over time to identify gentrification processes
>
> 1.1.3. Track the births and deaths of small, local businesses to determine business formation trends
>
> 1.1.4. Survey city residents to discover attitudes towards small, local businesses. Do residents value local business ownership over corporate ownerships? Is cost the most important factor when making a purchase or utilizing a service?
>
> 1.1.5. Consider funding a study that would document the fiscal impact of small, local businesses versus chain retailers (See: Civic Economics)

1.2. Conduct a gaps analysis on programming around small businesses.

> Are certain types of businesses unintentionally excluded or overlooked, such as tech or established businesses?

1.3. Examine representation of small, local businesses on local boards and commissions related to the business community and development community.

> Are the biggest, single employers representing the business community? Who is representing small business interests?

1.4. Develop an incentive tracking program that provides transparency to policy makers and citizens

> 1.4. Track who receives subsidies, what the company promised (jobs, wages, etc.), and what the timeline is for producing the outcomes (See: Good Jobs First or the International Economic Development Council)

1.5. Host a conference for local, small businesses annually to discuss current issues and educate about important policies

1.5.1. Include civic leadership training for small, local business owners that focuses on navigating city services

Goal 2. Improve regulatory framework

After collecting data that will illuminate the issues affecting small, local businesses and their positive economic impact, small business advocates need to push for supportive land use policies.

2.1. Reform the development process for small business owners

2.1.1. Perform an audit of the development process and identify the steps which small business owners find difficult

2.1.2. Identify areas where discretion is used and create training on how to apply the rules so that small business owners are treated similarly to business owners with more time and resources

2.1.3. Evaluate how to implement a “good enough” code enforcement standard where appropriate to ease burden of rehabilitating/repurposing buildings

2.2. Change necessary zoning requirements to incentivize developers to build spaces for small, local businesses

2.2.1. Determine if micro-retail (500-1,500 sq. ft.) and home-based enterprises are allowed

2.2.2. Consider policy that enacts a maximum storefront size depending on the type of commercial corridor

2.2.3. Consider policy that limits formula retail uses either A) in total amount or B) to certain corridors (See: San Francisco Prop G)

2.2.4 Develop more flexible zoning categories that allow a mix of uses that support small business owners specifically through live/work or make/sell combinations

2.3. Promote tax incentives that help correct biased market forces

2.3.1. Implement a tax incentive for developers who design smaller commercial spaces more appropriate for small, local businesses

2.4. Hire a small business concierge that is specifically trained in issues commonly faced by small businesses in the development process

2.4.1. Focus on simplifying the process and realizing costs savings for small business owners

Goal 3. Increase access to financing

After conducting a gaps analysis of existing small, local business development programs, create a plan to provide funding or programming to fill identified needs.

3.1. Determine if any money could be dedicated from general funds to mitigate small business displacement

3.1.1. Evaluate if a Legacy Business Fund would be appropriate to help small, local businesses

3.1.2. Establish criteria for identifying a legacy business through public outreach

3.2. Locate funding for a revolving-loan fund

3.2.1. Determine if small, low-interest loans or down payment assistance is appropriate

3.3. Collaborate with local area banks to create a Lease-to-Own program for small, local businesses that is backed by public investment

3.4. Find federal programs and target sources of funding for small, local businesses (See: HUD façade improvements)

3.5. Evaluate if a Legacy Business Fund would be appropriate to help small, local businesses

3.5.1. Establish criteria for identifying a legacy business through public outreach

3.6. Garner community partners and support for short-term micro-enterprise loans

3.6.1. Enable partners to negotiate leases between micro-enterprises and landlords

3.7. Lobby for a portion of the revenue from hotel occupancy taxes (HOT) to be given to small business needs with the understanding that small businesses provide quality of place for tourism

3.8. Partner with the nonprofit finance community to start commercial lending programs at local CDFIs or CDCs

Goal 4. Reduce vulnerabilities for commercial renters

Commercial renters are the type of business most exposed to the negative impact of rapidly growing cities. With some help, these businesses might be able to scale their business models enough to survive rent escalation.

4.1. Establish protections for commercial renters

4.1.1. Consider protections such as requiring long-term lease renewals, extending the period of time for eviction notice, and providing recourse to arbitration between landlords and tenants

4.2. Institute commercial rent control

4.2.1. Consider a pilot project in a neighborhood that is under threat of displacement

4.3 Dedicate financing to preserve commercial renters

4.3.1. Implement a tax incentive for landlords that rent to small, local businesses

4.3.2. Create a displacement mitigation fund that provides relief in the form of rent or venture capital to small, local businesses (could preserve a particular sector vital to local economy)

4.4. Sponsor commercial space or business incubator space on surplus city properties

4.4.1. Partner with the nonprofit or private sector to create commercial land trusts

Goal 5: Evaluate the tax code and assessments

Similar to creating new data, examining existing laws and regulations can glean new opportunities for policy reform.

5.1. Examine existing tax and land use policies and identify new mechanisms that would benefit small, local businesses

5.1.1. Decide if a cap on the appraisal value of commercial policies help preserve local businesses

5.1.2. Discover if supportive lending/ownership structures are legal (commercial land trusts, commercial condominiums, real estate investment cooperatives, etc.).

5.1.3. Check if the current incentive policy has any preference for small, local businesses.

5.2. Audit past property assessment appeals to see if corporations or wealthy entities are disproportionately requesting and winning appeals, lowering the amount they pay in taxes relative to small, local businesses

5.2.1. If any patterns emerge, determine if policy language needs to be re-written to decrease the number of appeals (See: Dark store method)

5.3. Based on findings, educate policymakers about which policy changes could benefit small, local businesses and establish a plan of action to change identified policies

Goal 6. Communicate small, local business development efforts

Cities must communicate their efforts to support small, local businesses. While doing the right thing is admirable, the effort will be lost if local businesses are not aware of programming, ways to get involved in small business advocacy, and the rights they may have under current law.

6.1. Launch a campaign that promotes local, small businesses with unifying marketing and branding

- 6.1.1. Make a website for the city's local businesses with specific information like type of sector, where local businesses are located, etc. (See: SF Made)
- 6.1.2. Create a small, local business festival that features "business crawls" or discounts at participating locations (See: Made in CBUS)

6.2. Publish manual listing all incentive programs available to small, local businesses

6.3. Host business tours for each city council district to promote dialogue between policymakers and small, local businesses

6.4. Provide support for the creation of merchant's associations and provide educational materials

These recommendations ensure that communities will have the methods and tools to study small, local business displacement and create solutions specific to their community. Supporting small, local businesses during times of market escalation demands wide-ranging strategies that cover anything from construction to taxes to data collection. Identifying a cohesive plan to address all of the challenges and barriers that small, local businesses face is necessary because success in one area such as code enforcement does not equal success in another area such as protections for commercial renters. Taken together, these recommendations establish a comprehensive approach that will require the cooperation of many economic development actors from the small businesses themselves to policymakers to city departments. The strength in these recommendations is that these policies do not benefit a single firm or single type of business, but rather work to create a regulatory environment that is fairer and more open. This will benefit all types of businesses, while allowing small, local businesses more of a chance to compete.

Appendix A. Interview Questions

Interview questions for government/nonprofit organizations

1. Name

2. Occupation, Organization, Tenure in position

3. Could you tell me a little bit about yourself and how you ended up where you are in your career?

4. What are the biggest challenges facing the Nashville small business community?

5. Do you think local government and business organizations should intervene in the preservation of long-time local businesses?

6. Within your organization's capacity, what tools exist to remedy issues with affordability? If so, how are these being measured over time?

7. What state and local laws inhibit local business affordability? Or promote it?

8. Does your department partner with the planning department to address small business displacement or redevelopment issues?

9. In an ideal world, how would the city hope to solve issues of business affordability?

10. What are examples of creative ways that Nashville has addressed local business affordability?

Interview questions for small business owners

1. Name

2. Occupation, tenure at business

3. From the time you started out until now, what were some of your earlier challenges as a business owner and are they still the same today?

4. How has the area surrounding your business changed since you were here?

5. What are the biggest challenges facing the small business community?

6. Do you use any services from the city's economic development department or other business organizations?

- What services do you wish the city offered?

7. Who do you feel best advocates for the needs of the small business community?

Appendix B. Local Business Closings

Dec. 2016. "Popular East Nashville restaurant, bar and entertainment space Mad Donna's closed its doors suddenly on Wednesday…The news comes just weeks after two other high profile Nashville restaurants announced plans to close: Reed Hospitality Group's The Hook on Eighth Avenue South and Craig and Marcia Jervis' The Mad Platter in Germantown. Mad Platter will close on New Year's Eve after 27 years in business." http://www.tennessean.com/story/money/2016/12/08/mad-donnas-closes-abruptly-east-nashville/95137462/

Dec. 2015. "Tom Loventhal, the veteran restaurateur who owns Noshville locations in Midtown, Green Hills and the airport, has announced that the Midtown flagship — a fixture since 1996 — will shut down at the end of the business day Dec. 27….We had known for a while that there would likely be some sort of interruption in Noshville's existence in Midtown, because the property had been sold and redevelopment plans are afoot" http://www.nashvillescene.com/food-drink/article/13062350/venerable-midtown-deli-noshville-to-close-at-end-of-year

Sep. 2015. "With the current boom in restaurant openings, it seems inevitable that some older restaurants will be pushed out, but it's shocking to lose one like The Silly Goose." http://www.nashvillescene.com/food-drink/article/13060882/east-nashvilles-silly-goose-restaurant-closes

Sep. 2015. "The bottom line is another historic landmark is gone," Jones said. "The community is upset to drive down the road and buildings are being demolished right and left. It's our hope that the demolition process is more transparent." http://www.tennessean.com/story/money/real-estate/2015/09/21/overnight-razing-downtowns-trail-west-building-sparks-concerns/72572912/

June 2015. "The closing ends a 36-year run for The Stock-Yard at 901 Second Ave. N. It comes after a pair of Charlotte, N.C.-based developers just completed buying the building that is eligible for the National Register of Historic Places and a parking lot across Stock-Yard Boulevard."

http://www.tennessean.com/story/money/2015/06/29/nashvilles-stock-yard-restaurant-closed-business/29496969/

March 2015. “Proprietor Katy Kattelman, a true pioneer in the neighborhood, opened the clothing store 15 years ago, long before that particular stretch of Granny White Pike was saturated with restaurants, bars and pricey boutiques. Kattelman told the *Scene* that, after learning that her rent would double if she was to renew her lease after April 30, she knew it was time to close the doors.”
http://www.nashvillescene.com/arts-culture/article/13058381/12south-institution-katy-k-closing

Jan 2015. Twenty-four years ago, Sunset Grill opened as a chic dining spot in the burgeoning Hillsboro Village neighborhood… It’s a striking moment to see the man who’s been called the “godfather of Hillsboro Village” forced to close his flagship restaurant there.
http://www.nashvillescene.com/food-drink/article/13057477/sunset-grill-closes-ending-a-24year-chapter-in-nashville-restaurant-history

Oct. 2013. “Owners Jenn Doherty McCarthy and Tammy Webb-Baker said that their small independent restaurant struggled with the transition to a rental space that was more expensive than the 12th Avenue South location… Rumours had been one of the pioneering businesses of the 12South neighborhood revival, operating for 10 years before shutting down relocating as its little bungalow on 12th was demolished to clear way for new development”
http://www.nashvillescene.com/food-drink/article/13056580/rumours-on-12th-in-the-gulch-closes-permanently

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